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**LIVERPOOL CITY COUNCIL'S PERFORMANCE MANAGEMENT  
FRAMEWORK:  
AN EVALUATION OF ITS IMPACT ON CUSTOMER-FOCUSED  
RESULTS**

**JAN HEATH**

**A dissertation submitted in partial fulfilment of the requirements of Chester College  
for the degree of Master of Business Administration**

**CHESTER BUSINESS SCHOOL  
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## **ABSTRACT**

Following the emergence of New Public Management, and the increased focus on performance management by the current UK government through initiatives such as the Local Government Modernisation Agenda, Best Value and Comprehensive Performance Assessment, local authorities have come under increasing pressure to improve their performance management systems.

Within this context Liverpool City Council, with a history of poorly performing services and the highest Council Tax in the country, introduced its Comprehensive Performance Management Framework in 2000 to deliver performance improvement and embed a performance culture across the organisation. Since then, the Council has transformed services and overturned its image as a failing authority.

This study evaluates the impact of the Council's Corporate Performance Management Framework on customer-focused results through analysis of quantitative and qualitative data and considers the potential negative consequences of performance management systems within the UK public sector with reference to other research. The research also identifies the role of control and accountability within public sector performance management regimes and considers whether it is possible to implement performance management systems based on private sector practices that are able to fulfil a dual role of both accountability and performance improvement.



**DECLARATION**

This work is original and has not been submitted previously for any other academic purpose. All secondary sources are acknowledged.

Signed:

Date:

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## **1 Introduction**

### **1.1 NPM and the UK Government Agenda**

During the past two decades, local government throughout Western Europe has been subject to far-reaching reform programmes in response to growing economic problems which led to large-scale public sector deficits and put into question the capacity of 'big government' to deliver effective solutions to social and economic problems. (Lane & Ersson, 1994). The dominant thrust of policy became to reduce the size and scope of the public sector and increase the efficiency of those services that remained within it, making public services more responsive to their customers and applying 'business-like' management techniques with a far greater focus on performance measurement (Sanderson, 2001).

The UK Public Sector became subject to large-scale privatisation, widespread market testing, the break-up of large units of government into smaller quasi-autonomous units and the introduction of traditional private sector corporate practices in the pursuit of greater efficiency and effectiveness (Hyndman, N & Anderson, R, 1997). This can be seen in the 'Rayner scrutinies' of the early 1980's, the Financial Management Initiative (FMI) of 1982 (HM Government, 1982), the establishment of Executive Agencies following the Next Steps Initiative (NSI) of 1988 (UK Efficiency Unit, 1988), the Citizens Charter of 1991 (Audit Commission, 1992) and a host of other changes in local government (Hyndman, N & Anderson, R, 1997).

The central theme in all the changes introduced was that performance should be improved and such improvement should be measured in terms other than how much money is spent (Hyndman, N & Anderson, R). This approach to public sector reform has become known as 'New Public Management' (NPM) (Hood, 1991), the principles of which have been adopted throughout most OECD countries (Lane, 1997; Hyndman, N & Anderson, R, 1997). *'Notwithstanding differences in the nature, size and approach to public sector reforms, a common agenda has developed, constituting a new paradigm for public management aimed at fostering a performance-oriented culture in a less centralised public sector'*. (Public Management Service of the OECD, 1997).

In this context, Henkel (1991) refers to the rise in the UK of the 'new evaluative state' in which local authorities have been increasingly encouraged to implement performance management systems by the Audit Commission and the Local Government Management Board<sup>1</sup> (LGMB).

The need to plan, control and report with respect to the performance of public sector organisations has been a central theme in many UK government initiatives in the last two decades and the FMI of 1982 (HM Government, 1982) called for managers at all levels in government to have a clear view of objectives and a means to assess and measure outputs or performance in relation to those objectives. (Hyndman, N & Anderson, R, 1997). The requirement to demonstrate improvement in public services has now risen to the top of the national political agenda, most notably with the introduction of the Best Value (BV) regime in 1999 and more recently, the Comprehensive Performance Assessment (CPA) introduced in the Local Government White Paper '*Strong Local Leadership – Quality Public Services*' (DTLR, 2001). The White Paper sets out a new framework to secure progressive improvement in the performance of local government with increased emphasis on delivery, responsibility and accountability.

In order to promote the new agenda of strong performance management based upon the principles of Best Value and the CPA, the Government has published a plethora of papers emphasising that managing performance should become the norm for local authorities (e.g. 'Aiming to Improve: the Principles of Performance Management', Audit Commission, 2001; 'All in a Days Work', Improvement & Development Agency (IDeA), 2001; 'Performance Breakthroughs', Audit Commission, 2002; 'Performance Measurement to Performance Management', Audit Commission, 2002; 'Believe it when you see it: Best Value and improvement in a world of CPA', IDeA, 2002'; 'Best Value and Performance Improvement', ODPM, 2003; *Managers' Guide to Performance Management*, IDeA, 2004).

Whilst recognising the difficulties that many local authorities face in the implementation of effective performance management (in particular where organisational culture is an

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<sup>1</sup> The LGMB has now been restructured and the IDeA has taken over the function of performance improvement in local government.



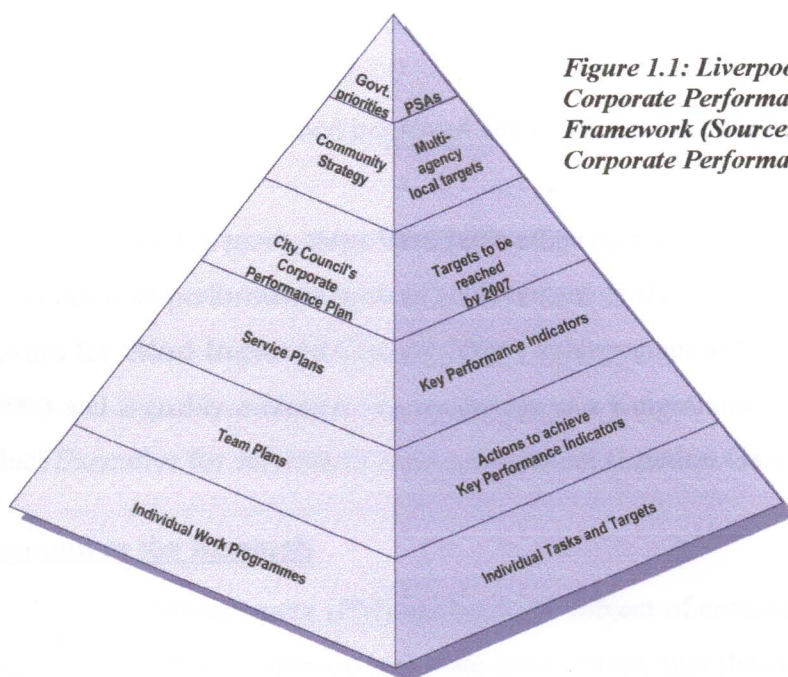
obstacle), Performance Management is one of 9 key themes upon which the CPA score is calculated and therefore the adoption of a performance management framework is almost essential if a local authority is to progress into the highest ranks of the CPA 'league table'. Moreover, the CPA regime carries heavy penalties for failing authorities – in the worst-case control of the authority may be handed over to Central Government. Conversely, for those authorities that score well in the CPA, there are financial incentives on offer, more freedom to trade and a 'lighter touch' inspection regime in future years – the stakes then, are considerable.

## **1.2 Liverpool's Performance Management Framework**

Until recently, Liverpool City Council (LCC) was widely regarded as a failing authority with poorly performing services and the highest Council Tax in the country. However, it has responded to the new challenges laid down by the government and has undergone significant organisational changes in an effort to transform its long-standing image of a failing local authority by delivering radical improvements which will place it amongst the top-performing local authorities in the UK.

Amongst these significant changes was the introduction, in 2000, of a Corporate Performance Management Framework (CPMF), intended to *'foster a performance culture and embed performance management into the day-to-day operations of the organisation'* by providing a practical tool for managers to measure and monitor the performance of both service areas and individuals, and by ensuring that activities are aligned to corporate aims (see Figure 1.1).

A core element of the CPMF is the series of Best Value Performance Indicators (BVPs) and their targets against which the Executive Management Team (EMT) monitor progress. Each Service Area within the Council must provide a monthly update on each of the BVPs which fall within its remit – monthly progress reporting is done via a database on the Council's intranet site. A comprehensive progress report is then submitted to EMT by the Scrutiny & Best Value Team – the report provides detailed data on each BVPI including: forecast against target; comparisons with top quartile authorities; and narrative from the



*Figure 1.1: Liverpool City Council's Corporate Performance Management Framework (Source: Liverpool City Council Corporate Performance Plan 2004-2007)*

relevant Service Manager (Appendix 1). As well as regular review of the report by EMT, the Chief Executive also uses it as the basis of his individual review meetings with Assistant Executive Directors (AEDs). The CPMF is now in its third year of implementation and both Central Government and other external agencies have acknowledged that LCC has delivered significant improvement in service provision.

In November 2003, the Audit Commission undertook an inspection of Liverpool City Council's Corporate Performance Management Framework (CPMF), the results of which contributed to an improved CPA score from 'Fair' to 'Good'. The assessment included an analysis of a 'basket' of the Council's performance indicators, interviews with senior managers, staff focus groups and a web-based survey of managers. The inspection concluded that:

- The Council had made good progress in developing its performance management framework
- The approach to performance management had resulted in good progress in terms of service improvements

- There was clear corporate focus on performance indicators and the desire to move them into 'top quartile'
- 62% of performance indicators had improved since 2001/02 (Audit Commission, 2003)

As well as an improved CPA score, there have been other acknowledgements of Liverpool City Council's improved performance such as achievement of the Local Government Chronicle Award for 'Most Improved Council 2004', achievement of Investors in People in November 2003 and arguably evident in the conferring of a Knighthood on the City Council's Chief Executive for services to local government (London Gazette, 2004).

### **1.3 Background to the Research**

However, Performance Management (PM) has been the subject of considerable criticism within industry for a number of years on two main bases: firstly that the concept is too diffuse and little more than an 'umbrella' term and secondly, that any rigorous evaluation has failed to show that PM has any impact on performance, calling into question the whole rationale behind the approach (Conway & Guest, 2002). This criticism would appear to be borne out by recent research outlined in Sections 1.3.1 and 1.3.2 below.

#### **1.3.1 CIPD Study of Performance Management**

In 1991, the (then) Institute of Personnel Management (IPM) undertook a major study of performance management that confirmed much of the scepticism surrounding performance management initiatives. It reported a wide variety of practices, a generally piecemeal approach and no evidence that performance management increased performance (Conway & Guest, 2002). In 1997, a second survey was conducted by the CIPD (Chartered Institute of Personnel & Development, formerly the IPM) to explore whether performance management had any impact on performance and if so, what was it about such systems that seemed to have an impact. The findings are significant to this study:

An analysis of the data showed that only a minority of respondents claimed to have any system of formal evaluation in place for assessing the effectiveness of their performance management framework and amongst these, only a small proportion conducted systematic evaluation. Although responders were generally positive in their judgements of the effectiveness of performance management and cited key criteria as achievement of

financial targets, achievement of quality and customer service goals and employee-development goals, the CIPD analysis failed to demonstrate evidence of any link between the practice of performance management and these outcomes.

The CIPD analysis concluded that, on the basis of the evidence provided by the survey, there was no proof that performance management has a positive impact on organisational effectiveness although the subjective opinion of responders was that it was felt to play a positive role in performance improvement. The failure to prove the case for the impact of performance management was attributed, in part, to the lack of systematic evaluation in place within the majority of organisations surveyed.

The CIPD survey covered a broad range of organisations both in the public and private sectors and therefore did not consider factors in performance management that relate specifically to the public sector – these factors are discussed in some detail in Chapter Two.

### **1.3.2 LGMB Research**

More recent research that focuses on the public sector has been undertaken for the LGMB into approaches to evaluation within British local government (Sanderson, Bovaird & Davies, 1998). The research found that there exists a predominance in local government for a ‘performance measurement’ approach to evaluation i.e. the practice of monitoring quantifiable performance indicators with a primary focus on input and output measures to reflect economy and efficiency (Sanderson et al, 1998), but a very unsystematic approach to assessing effectiveness in achieving objectives in outcome terms.

Moreover, there was little evidence of participative ‘multi-stakeholder’ approaches to evaluation and widespread scepticism amongst managers and elected members regarding qualitative approaches to evaluation. Yet Torres, Preskill & Piontek (1996), and Rist & Joyce (1995) argue that it is these forms of evaluation that have the greatest potential for performance improvement. Further, the research identified three key cultural attributes that were antithetical to performance evaluation:

- Lack of strategic approach to policy and service development

- Perception of evaluation and review as a threat both to the role and integrity of service professionals
- Focus on 'negative' blame/punish reactions to mistakes (Sanderson, 2001)

Where these key aspects of organisational culture exist, there is a danger that *'performance review becomes a superficial paper-chase, subject to manipulation and avoidance tactics, and thereby is discredited'* (Sanderson, 2001).

The LGMB research concluded that *'Performance measurement systems have key limitations as drivers for change and improvement, particularly to the extent that these systems are externally imposed....external pressures have played a key role in promoting a greater focus on performance in local government but the emphasis has been much more on enhancing accountability than on using performance measurement as an engine of change'*. (Sanderson, 2001).

#### **1.4 Research Question**

Findings from the previous research discussed in Section 1.3 highlight the difficulties in conducting a systematic evaluation of the impact of performance management on an organisation's objectives. In addition, the LGMB research identifies a predominance in local government towards adopting a 'performance measurement' approach to performance evaluation that presents key limitations as a driver for change and improvement.

An evaluation of the City Council's Corporate Performance Management Framework (CPMF) and its impact on improved performance – both in terms of quantifiable performance measures and qualitative outcomes that fulfil societal needs (ie achieve the long-term strategic aims of the authority) will establish the value of the CPMF as a catalyst for improvement.

Therefore the aim of this study is to evaluate whether Liverpool City Council has made progress in achieving its objectives in outcome terms, and if so, to assess the effectiveness of the CPMF as a key driver for performance improvement.

The research question under consideration comprises two parts:

- Firstly, to consider whether the performance measures within the LCC Corporate Performance Management Framework (CPMF) demonstrate improvement over time since introduction of the CPMF, with specific concern for those performance indicators which can be interpreted as measuring ‘customer impact’ (ie ‘results-based’ or outcome measures)
- Secondly, whether any improvement identified during the research can be attributed to the CPMF.

As part of its conclusions, the study will propose recommendations for improvement to the performance management arrangements of the Authority.

### **1.5 Justification for the Research**

In view of the LGMB findings outlined in Section 1.3.2 above, and research conducted by others such as de Bruijn (2002), it is clear that unless a performance management system can demonstrate its added value to the organisation and its impact on performance improvement, then in an environment of ever-decreasing resources, it would seem reasonable to desist from performance management activities and divert resources to service delivery.

This is particularly so in the public sector, where providing value for money services has become the focus of national attention – politicians and taxpayers alike expect evidence that public sector agencies are delivering effective performance and providing value-for-money (Bolton, 2002). In addition, the Government has recently introduced significant changes to the CPA scoring criteria to be implemented from 2005 with far more focus on results-based performance measures (i.e. customer-focused outcomes).

If LCC is to achieve its long-term aims and ambitions by delivering ‘step change in performance’, then it must ensure that its performance management framework has a maximum positive impact on service delivery for all stakeholders and that the benefits (whether perceived or tangible) outweigh the opportunity cost of implementation of that framework (Halachmi, 2002).

Although the Audit Commission inspection of the City Council's performance management regime in November 2003 drew positive conclusions (Section 1.2), it did not attempt to assess the direct impact of the Corporate Performance Management Framework on improvement in performance indicators, nor did it involve an analysis of the types of measures in which improvement could be demonstrated. For this reason, an analysis of the extent of the impact of Liverpool City Council's Corporate Performance Management Framework on improvement in customer-focused results could be regarded as essential if the authority is to deliver Best Value.

Not only will the research benefit other local authorities, but may also be of interest to Central Government who have recently commissioned an evaluation of the Local Government Modernisation Agenda. The results of that evaluation will not be available until 2005 (Bovaird, 2004).

## **1.6 Methodology**

The methodology adopted to address the research question combines both positivistic and phenomenological approaches. In the first instance, a quantitative analysis of Best Value Performance Indicators (BVPIs) identifies the extent to which the City Council has improved in terms of customer-focused results i.e. outcomes – this addresses the first part of the research question. Based on the findings of that initial analysis, a qualitative study of the impact of the CPMF is undertaken through a series of interviews with senior managers within the Council.

### **1.6.1 Quantitative Analysis of BVPIs**

The quantitative analysis of BVPIs goes beyond a straightforward assessment of the number of BVPIs which have improved (such as that of the Audit Commission inspection discussed in Section 1.2) but rather attempts to identify improvement over time in those BVPIs which deliver positive outcomes for customers. To this end, the methodology involves not just an evaluation of the extent to which the BVPIs have improved, but also a taxonomy of BVPIs according to 'input', 'output' and 'outcome' measures (adapted from Hyndman & Anderson, 1997 – see Section 2.4.1). It is hypothesised that such analysis produces a more meaningful demonstration of the Council's effectiveness in delivering service improvement.

#### **1.6.1.1 Taxonomy of Performance Indicators: Input/Output/Results (or Outcomes)**

The categorisation of BVPIs used within the analysis is based on Hyndman and Anderson's taxonomy capturing inputs, outputs and results (or outcomes) (Hyndman, N & Anderson, R, 1997). However, the absence of generally accepted definitions in relation to 'inputs', 'outputs' and 'outcomes' introduces an element of subjectivity to the analysis.

In order to minimise subjectivity, a model was established which defined each category with examples according to Hyndman & Anderson's definitions, and two officers within Liverpool City Council (each with a sound understanding of performance measurement principles) were asked to independently categorise the BVPI sample according to the model, to be compared with the author's categorisation. Where differing categories were accorded to the same BVPI, discussion took place between the author and officers until agreement could be reached on a 'best fit' category – a minimum of two concurring categorisations were required in order for the BVPI to be incorporated into the analysis. The definitions upon which the taxonomy was based are shown in Section 1.8.

#### **1.6.2 Qualitative Analysis of the Impact of the CPMF**

A qualitative analysis of the impact of the CPMF was then undertaken via a series of interviews with senior managers to address the second part of the research question i.e. the extent to which performance improvement can be attributed to the CPMF. The analysis also identifies other key factors which contribute to performance across the range of Council services included within the research.

#### **1.7 Outline of the Dissertation**

The dissertation presents a critical evaluation of Liverpool City Council's Corporate Performance Management Framework and its impact on customer-focused results. It is structured as follows:

- **Chapter One** sets the national context and introduces the most recent initiatives by Central Government to drive improved performance management in local authorities. Background to the research is provided including previous attempts to evaluate the impact of performance management. The research question is discussed and an outline of the methodology is presented. Definitions of commonly used terms throughout the study are provided.



- **Chapter Two** reviews relevant literature to provide a theoretical foundation for the research question. The literature review comprises three main sections: popular features of performance management; the UK public sector performance regime; and issues related to measuring the impact of performance management both in the private and public sector.
- **Chapter Three** provides detail of the research methodology including the collection and analysis of both quantitative and qualitative data and its applicability to the research question. The ethical considerations of the research are also discussed in Chapter Three.
- **Chapter Four** presents the findings from the research including difficulties associated with the research design. Chapter Four does not include discussion or conclusions drawn from the research findings.
- **Chapter Five** discusses the conclusions from the research findings related to the adopted methodology, the research question and limitations of the study. This chapter also suggests recommendations for further research.
- **Chapter Six** proposes recommendations based on the outcome of the study.

## 1.8 Definitions

The absence of generally accepted definitions presents a potential difficulty with the research and is discussed in more detail in Chapters 2 and 3. For the purpose of this study, definitions of frequently used terms are presented below:

### ➤ **Performance Measurement:**

The most quoted definition of performance measurement is arguably that of Neely (1998) i.e. *'the process of quantifying the efficiency and effectiveness of past actions through acquisition, collation, sorting, analysis, interpretation and dissemination of appropriate data'* (Neely, 1998). However, a later definition by Moullin (2002) is more appropriate to this research: *'Performance measurement is evaluating how well organisations are managed and the value they deliver for customers and other stakeholders'* (Moullin, 2002).

### ➤ **Performance Management:**

According to the Audit Commission's most recent definition (2004), Performance Management is *'taking action in response to actual performance to make outcomes better*

*than they would otherwise be* ' (Audit Commission, 2004). This is more clearly defined by Lebas (1995) '*Performance Management involves training, team work, dialogue, management style, attitudes, shared vision, employee involvement, multi-competence, incentives and rewards*' (Lebas, 1995).

➤ **Accountability:**

Defined by GASB (1987) as '*being obliged to explain ones actions, to justify what has been done...accountability requires governments to answer to the citizenry – to justify the raising of public resources and the purposes for which they are used*' (GASB, 1987).

➤ **Input/Output/Results (or Outcomes):**

Definitions of Input, Output and Results (or Outcomes) are based on Hyndman and Anderson's taxonomy (Hyndman, N & Anderson, R, 1997).

**Inputs:** The resources used in providing a service (eg staff, money, equipment).

**Examples of Inputs** (taken from Hyndman, N and Anderson, R, 1997)

- Research & Development Costs
- Staff in Post
- % of staff with degrees

**Outputs:** The immediate products or services generated by the organisation (eg number of passports issued, no. of vehicles inspected).

**Examples of Outputs**

- £ paid out in grants
- No. of vehicles tested
- No. of orders processed
- % of applications processed within X days

**Results (or Outcomes):** Represent the impact of the product or service on society (eg a healthier population, safer roads).

**Examples of Results (Outcomes)**

- % pupils continuing into higher education
- Customer satisfaction levels

- % of applications accurately processed
- % of participants in training initiatives who find full time employment

## **1.9 Summary**

Chapter One sets the background to the research, including a brief introduction to the rise of New Public Management (NPM) and the emergence in the UK of the ‘new evaluative state’ which has led to an increased focus on performance measurement and performance management within local authorities. This new focus on UK public sector performance management has been driven by Central Government initiatives such as Best Value (BV) and Comprehensive Performance Assessment (CPA).

The chapter identifies the changes introduced within Liverpool City Council to deliver performance improvement and briefly outlines the City’s Corporate Performance Management Framework (CPMF) including a summary of the Audit Commission’s findings from an inspection of the CPMF undertaken in November 2003. The inspection concluded that the City’s approach to performance management had resulted in good progress in terms of service improvements.

However, previous research by the CIPD considering the impact of performance management initiatives proved inconclusive and suggested that there is a lack of systematic evaluation of the effectiveness of performance management. Later research by the LGMB that focused on the public sector highlights potential limitations in the implementation of performance management. The research concluded that the predominance in local government for a ‘performance measurement’ approach to evaluation is antithetical to performance improvement in terms of outcomes.

The research question presented in this chapter concerns an evaluation of Liverpool City Council’s Corporate Performance Management Framework and its impact on improved performance in terms of customer-focused outcomes. The methodology combines both quantitative and qualitative analysis of data including an analysis of Best Value Performance Indicators (BVPIs) based on a taxonomy adapted from previous research by Hyndman and Anderson (1997). Finally, the chapter proposes definitions for frequently used terms and briefly highlights the difficulties associated with them.

## 2 Literature Review

### 2.1 Popular Features of Performance Management

There are numerous definitions of Performance Management, from the general “*Performance management is what an organisation does to realise its aspirations*” (IDeA, 2001) to the more specific “*It is an intervention....targeted at individual employees with the aim of directing and enhancing their performance so as to improve organisational performance*” (Williams, 2002). However, the common feature of all definitions lies in the achievement of the organisation’s goals or objectives: “*It is the process of improving the quality and quantity of work done and bringing all activity in line with an organisation’s objectives*” (Walters, 1995)

The principle of setting goals for individuals which are linked to organisational goals has a long history, evolving from merit-rating to management-by-objectives (‘MBO’ - first coined by Peter Drucker in 1955), through Locke’s Goal Setting Theory of 1968 (Greenberg & Baron, 2000) and finally to performance management, which became a recognised process in the 1980’s (Armstrong & Baron, 2002).

Proponents of MBO argue that a focus on results should be the preferred approach to performance management as it takes a customer perspective and enables an individual’s efforts to be linked to organisational goals (Ainsworth & Smith, 1993; Armstrong, 1994; Lockett, 1992). However, evidence suggests that there are considerable benefits to the organisation where employee participation is sought (Rodgers & Hunter, 1991) – a top-down approach to goal-setting may lead to absence of ownership and create an obstacle to improved performance (Stiles, Gratton, Truss, Hope-Hailey & McGovern, 1997).

The importance of goal setting and feedback is still an integral feature of performance management, although Armstrong acknowledges additional features that differentiate the performance management process from traditional appraisal schemes (Armstrong, 1999).

He identifies the main additional features of performance management as:

- The involvement of all members within the organisation as partners in the process
- Concern with inputs (competences and skills) as well as outputs
- Based upon agreements concerning accountability and responsibility
- Concern with team performance as well as individual performance
- Continuous process and not reliant on an annual review
- Personal reviews focus on constructive progression, improvement and development
- Recognises the need for training and concentrates on 'self-managed' learning
- Feedback is as much self-generated as possible
- Not reliant on elaborate forms (Armstrong, 1999)

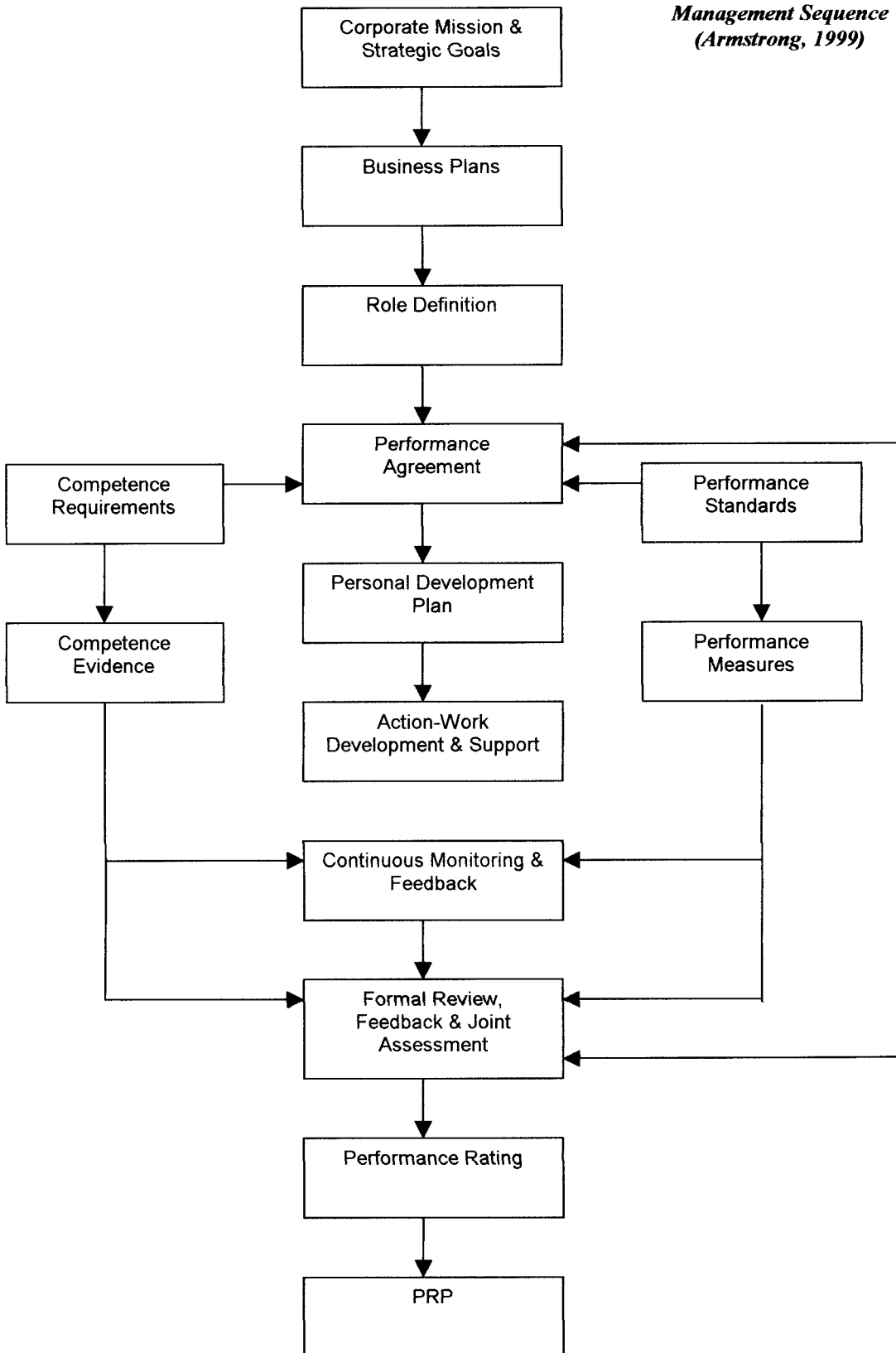
Armstrong argues that a well-conceived and well-implemented performance management process can motivate through non-financial rewards such as positive feedback and opportunities for development. However, if the process fails to focus on continuous feedback and development, then not only is it unlikely to succeed, but it is also likely to act as a demotivator within the organisation. Figure 2.1 identifies Armstrong's Performance Management Sequence.

Engelmann & Roesch (1996) identified the negative consequences of poorly designed and poorly administered schemes (or schemes that lack management commitment) as:

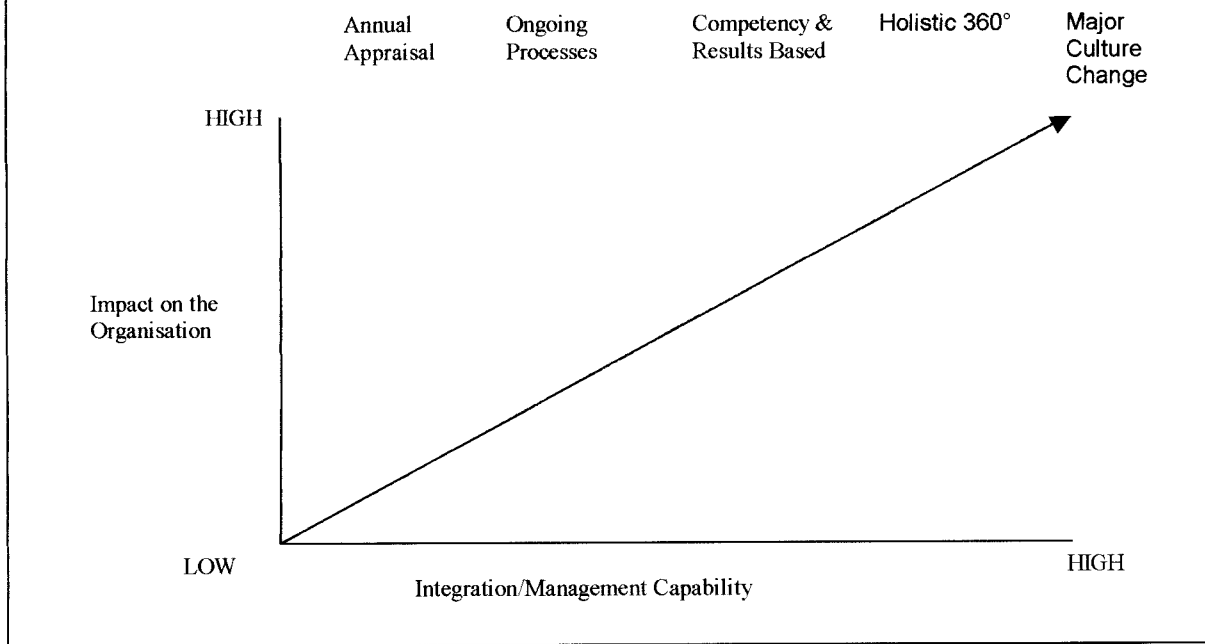
- Poor motivation and self-esteem because employees receive inadequate feedback on their work performance
- Little or no focused communication about performance between managers and employees
- Inefficient use of managers' time
- Litigation over alleged discriminatory actions (Engelmann & Roesch, 1996)

As a counter to the potential negative impact of badly implemented systems, Armstrong & Murlis (1998) exhort the need for organisations to 'move up the line' by going beyond the quantitative approach to performance management and adopting a more holistic approach (Figure 2.2).

**Figure 2.1. The Performance Management Sequence (Armstrong, 1999)**

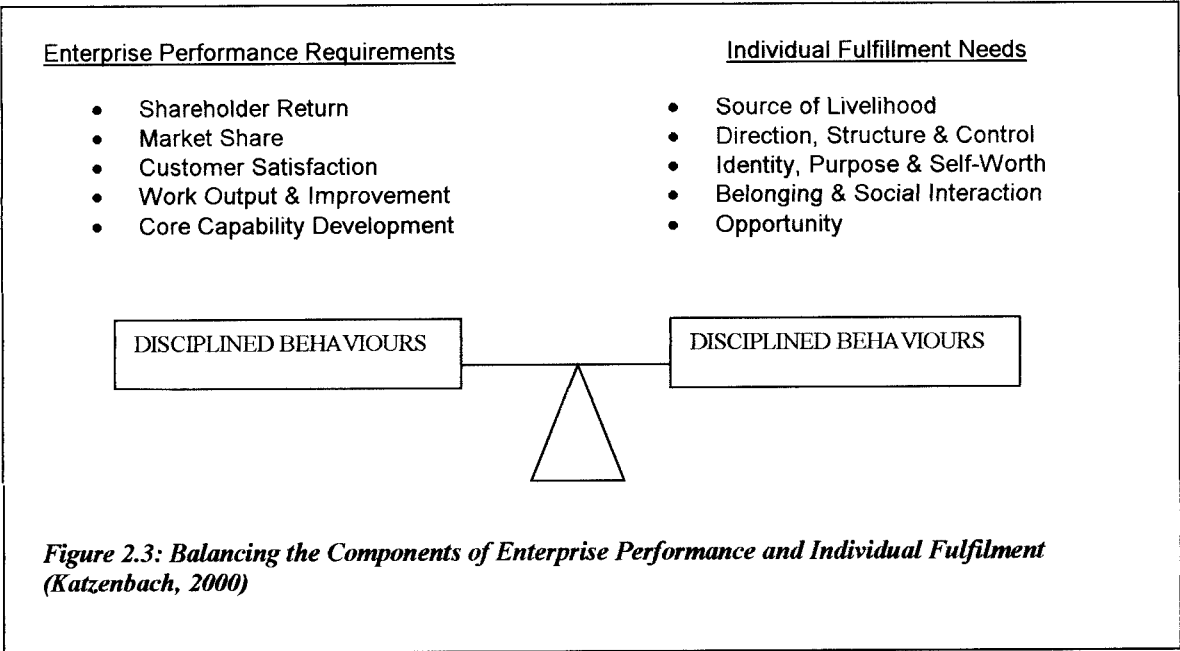


**Figure 2.2: Upgrading Performance Management (Armstrong & Murlis, 1998)**



Armstrong & Baron (2002) are specific in listing 21 criteria for a successful performance management process that will avoid problems such as lack of enthusiasm and misunderstanding, and lead to desired major culture change. The criteria again support the argument that unless individual development and employee participation are integral to the process, then it is unlikely to succeed (Appendix 2: Criteria for Success).

The view that any performance management process must focus on individual development is endorsed by Katzenbach (2000), who argues that the common feature of top-performing organisations is the emotional commitment of its workforce: *‘While you can certainly drive performance through intimidation....you cannot expect the extra energy that comes from positive emotional commitment’* and that the key to achieving emotional commitment – particularly from front-line staff – lies in achieving and maintaining a balance between enterprise performance and employee fulfilment. (Katzenbach, 2000).



Katzenbach identifies 5 basic patterns for peak performance that he develops into ‘balanced paths’ (or cultures) shown in Figure 2.3. The common theme for each of these ‘balanced paths’ is that the organisation pursues employee fulfilment with the same rigour as enterprise performance, and that leaders within the organisation believe strongly in the strategic value and performance potential of each employee. However, he warns that notions such as empowerment, shared values and individual freedom are not sufficient on their own to deliver high performance, but discipline is also required in “*maintaining certain channels of alignment supported by a wide variety of mechanisms*” (Katzenbach, 2000).

**2.1.1 Use of Appraisal in Performance Management**

Performance appraisal plays a central role in performance management processes: “*It is the usual vehicle by which the organisational goals and objectives are translated into individual objectives. It also remains the chief means of discussing and acting on the development of the individual*” (Fletcher, 2002)

However, Fletcher and Williams (1992) recognise a number of potential problems when appraisals are used within the performance management framework, namely:



- Unless objectives set at the appraisal reflect the priorities of the team, there is a risk of encouraging individual achievement at the expense of team effort and cohesion
- Although it is essential that line managers participate in the determination of the appraisal system ('line-driven appraisal'), this could potentially lead to inconsistency of approach between departments which could lead to failure of the system
- Unless there is a mechanism whereby strategic goals of the organisation can be influenced and modified by staff along the line, then the system will be regarded as top-down and less likely to gain staff commitment
- Excessive emphasis on service-delivery issues, at the expense of an individual's development, will fail to generate commitment and can induce high stress levels that detract from employee well-being (Fletcher & Williams, 1992)

A potential solution to the above risks is to hold development reviews separate from, but not unrelated to, the objective-setting and review process. This separation of appraisal functions has long been advocated (Meyer, Kay and French, 1965; Randell, Packard and Slater, 1984) and is becoming more popular within performance management frameworks (Fletcher, 2002).

## **2.2 UK Public Sector Performance Regime**

Since New Labour came to power in the UK in 1997, there has been a drive to improve the effectiveness of public services through the use of private sector performance management principles (Radnor & McGuire, 2004). The current UK Government has consistently emphasised a commitment to 'modernising government' and improving public services (Dowson, Martin & Sanderson, 2004) through implementation of a host of initiatives encompassed within the Local Government Modernisation Agenda (LGMA) (Bovaird, Martin & Downe, 2004). The aim is to 'join up' policies in order to provide more 'citizen-centred services' and to strengthen accountability to service users and taxpayers by focusing upon outcomes and results (Dowson et al, 2004).

However, according to Bovaird and Gregory (1996), central control has been the dominating purpose behind the external imposition of performance measurement and management approaches in UK public sector agencies. Clarke & Newman (1997) argue

that the growth of performance management embodies a move towards new 'post bureaucratic' forms of control to achieve enhanced accountability to Central Government.

### **2.2.1 Local Government Modernisation Agenda**

The Local Government Modernisation Agenda (LGMA) was introduced to transform the way in which local authorities were governed and managed, and interact with Central Government, local communities and other organisations, comprising a number of key elements:

- Service improvement
- More accountable local decision making
- Better community leadership by local authorities
- Increased stakeholder engagement
- Increased public confidence (Bovaird et al, 2004)

The performance management 'toolkit' (the Best Value regime) to be implemented to deliver the LGMA outcomes was summarised by the Prime Minister's Delivery Unit (PMDU) under six key headings:

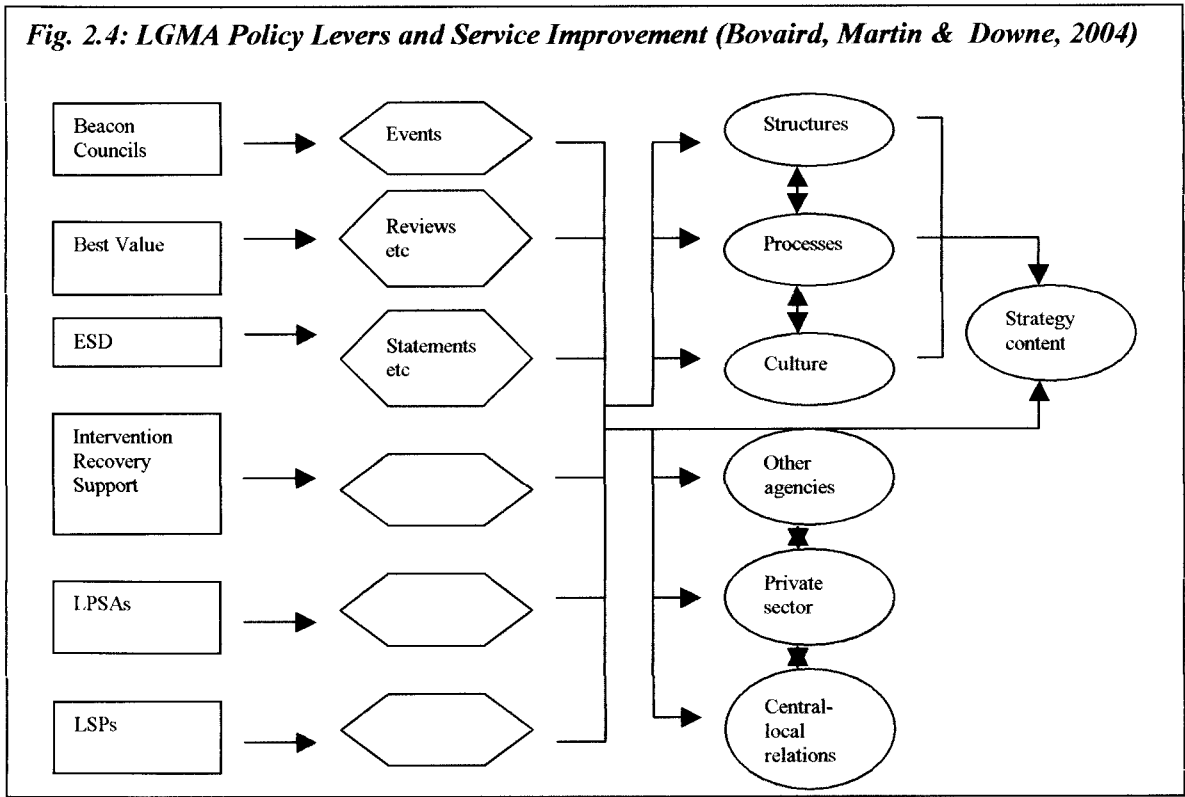
- National Standards set out in Public Service Agreements (PSAs) to specify the goals to which public managers should aspire, needed to ensure that citizens receive a uniformly high standard of public services
- Devolved funding and flexibility to achieve targets
- Regular benchmarking and monitoring of progress using performance indicators
- Transfer of best practice
- Services and units to be held accountable using inspection regimes and published data
- Services and units that meet targets to be rewarded and penalties to be imposed for those that do not.

The policy levers in relation to service improvement are demonstrated in a model developed by Bovaird et al (2004) (Figure 2.4) to identify the intermediate effects of changed strategies on local authority processes, structures and cultures and long-term whole system improvements in capacity (Figure 2.5).

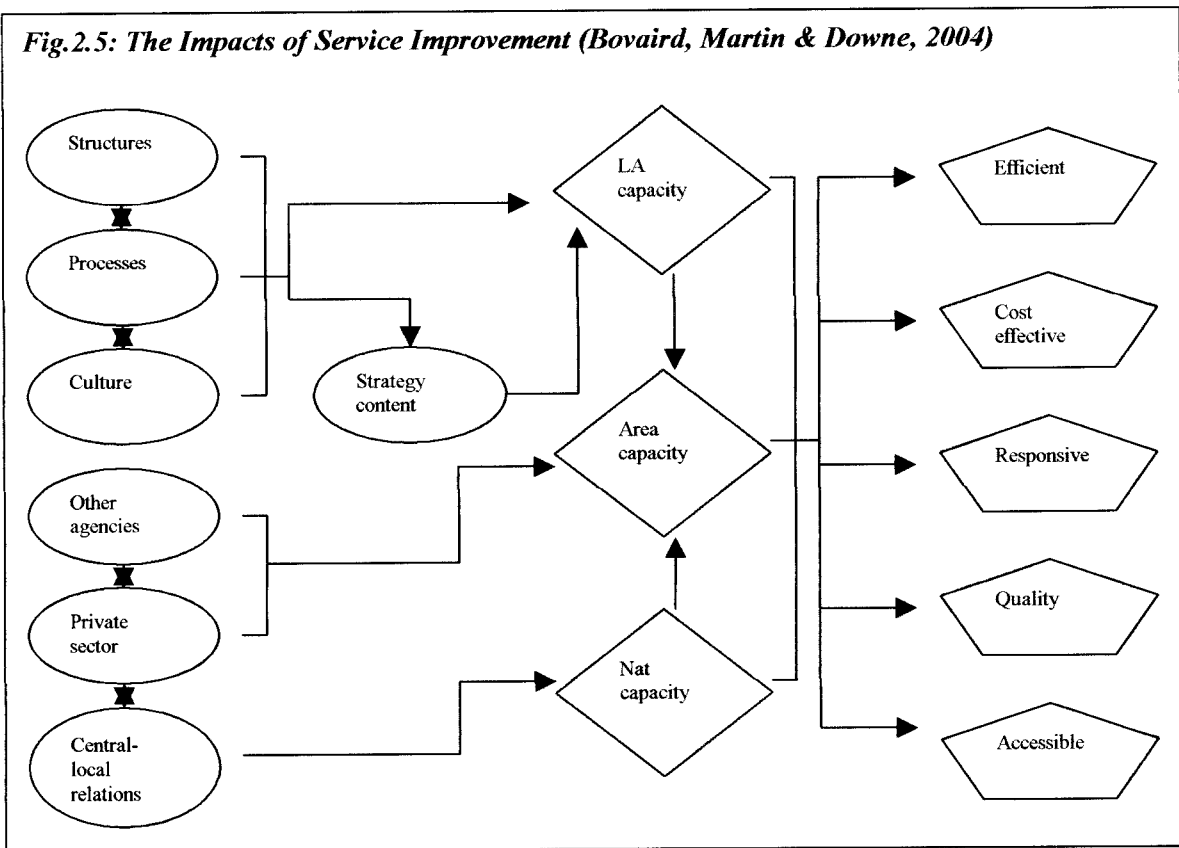
It is hypothesised that the policy levers implemented through the LGMA have delivered improvements in the five core LGMA outcomes such as service improvement (Fig. 2.5) however, the results of an ongoing national evaluation commissioned by the ODPM will not be known until early in 2005 (Bovaird, Martin & Downe, 2004).

The various components of the LGMA include a strong degree of central prescription as to how performance improvement will be secured based on the central tenet of NPM that “what gets measured gets done” (Bovaird & Loeffler, 2004). One of its key aspects, the ‘Best Value’ regime, can be seen as embodying a traditional, ‘rational’ model of performance improvement i.e. there exists a known means-end relationship, (Hyndman & Anderson, 1997), with an emphasis on management processes and structures, quantitative performance indicators and inspection (Dowson et al, 2004).

However, much recent research into the role of performance management and evaluation in organisational learning and improvement has highlighted the limitations of performance measurement systems oriented to promoting accountability (Sanderson, 1998, 2001; Boland & Fowler, 2000; Maile & Hoggett, 2001; de Bruijn, 2002; Dowson et al, 2004).



**Fig.2.5: The Impacts of Service Improvement (Bovaird, Martin & Downe, 2004)**



### 2.2.2 Best Value Framework (BVF)

Best Value was introduced in the UK by the Local Government Act 1999 to replace Compulsory Competitive Tendering (CCT) and bestowed a duty on all local authorities to deliver services to clear standards – covering both cost and quality – by the most economic, efficient and effective means available (Audit Commission, 1999). This duty included consultation with the local community, comparison of performance with other councils and, where appropriate, other service providers, through a series of prescribed statutory indicators – Best Value Performance Indicators (BVPIs) (McDonald, 2004). The Best Value concept represented a significant shift for local authorities – performance and customer needs became as important as the cost of service delivery.

It is argued by Maile and Hoggett (2001) and Martin and Davis (2001) that the performance management framework at the heart of Best Value is indicative of a highly rationalistic, centrally-orchestrated managerialism which is in danger of suffocating the local autonomy,

discretion and flexibility required to respond to diverse local needs and concerns. Indeed, Bovaird (2004) refers to the implementation period of Best Value as '*the tightening of the screws*' by the UK Government, whilst Maddock (2002) argues that the predominantly centralist, top-down approach is counter-productive to the very staff learning and cultural change that modernisation requires – in essence, the Best Value regime has been regarded by many in local government as a '*sledgehammer to crack a nut*' (Dowson et al, 2004).

### **2.2.3 Comprehensive Performance Assessment (CPA)**

The Local Government White Paper 'Strong Local Leadership – Quality Public Services' published in December 2001 announced the introduction of the Comprehensive Performance Assessment (CPA) – another performance measurement system intended to establish a performance profile for the council as a whole. A council's performance is based on performance indicators (BVPIs) and performance against national standards for a number of priority areas – in those priority areas (e.g. housing decency standards), Central Government sets national targets for all local authorities which are non-negotiable. Individual service inspections still take place as under the BVF and overall judgement is based on the delivery of core services and the corporate strength of each authority. Each local authority is awarded an overall score ranging from 'Poor' to 'Excellent' and the local authority is required to deliver its CPA Scorecard (Appendix 3) to all households within its boundaries – this effectively creates a league table of local government performance (McDonald, 2004).

The Office of the Deputy Prime Minister (ODPM) reviews and updates the selection of BVPIs to be monitored by local authorities on an annual basis. Following a 'fundamental review' of the BVPIs during 2003 (ODPM, 2004), the ODPM propose to introduce a revised set of indicators in 2005/06 which it believes '*contains a more balanced set of BVPIs which reflect the Shared Priorities and give a more rounded view of local authority performance ... the introduction of these BVPIs will ensure that the CPA is underpinned by a robust set of indicators*' (ODPM, 2004). Whilst acknowledging within its BVPI consultation document that '*too many BVPIs might impose an unreasonable burden on local authorities*', the ODPM currently proposes to introduce 35 new BVPIs and amend a further 30 – 57 existing BVPIs are to be retained with just 12 due to be deleted (largely on the basis that those to be deleted do not measure outcomes) (ODPM, 2004).

### **2.3 Implementation of Performance Management in the Public Sector**

As a consequence of the rise of NPM, governments worldwide are seeking to understand programme impacts or outcomes, under the general umbrella term of 'Results Based Management' (RBM) (Try & Radnor, 2004; Pollitt & Bouckaert, 2000). RBM has long been in evidence across the private sector, where performance management frameworks such as the Balanced Scorecard (Kaplan & Norton, 1996) and the Performance Prism (Neely & Adams, 2001) seek to measure organisational progress against strategic goals leading, it is argued, to improved internal management (Neely, 1998; Pollitt & Bouckaert, 2003; Mayne, 2003).

The requirement of local authorities to measure performance against targets through a series of nationally prescribed indicators in order to demonstrate that it is successfully meeting customer needs, has led to a new phase in the implementation of Performance Management Systems in the public sector (Wilcox & Bourne, 2002). The multi-dimensional performance frameworks that have grown in popularity (Wilcox & Bourne, 2002) such as the Balanced Scorecard (BSC) (Kaplan & Norton, 1996) and European Foundation for Quality Management (EFQM) are now being adapted to incorporate 'strategy maps' which show the links between performance indicators (Wilcox & Bourne, 2002; Radnor & McGuire, 2004).

Within the public sector, the scope of RBM is expanded to include not just impacts and outcomes, but managerial accountability (Pollitt, 1993; Aucoin, 1995; Hood, 1995; Bourn, 2000). Therefore the implementation of performance management in the public sector must not only address the need to deliver societal results or customer impact, but also to fulfil the role of public accountability. This 'slightly different' environment demands modification of the approaches, methodologies and tools that may prove successful in the private sector (Bolton, 2003) and, as Behn identifies (1997), proves exceptionally difficult to operationalise.

#### **2.3.1 The 'Three E's' of Performance Information**

Carter, Klein and Day (1992) suggest that the development of performance information within the public sector is driven by three sets of linked preoccupations: the control of public expenditure, managerial competence and greater accountability. The drive for

managerial competence and greater accountability has led to the introduction of quantification in management processes and the use of performance information in the discharge of accountability (Hyndman & Anderson, 1997).

Anthony and Young (1994) argue that efficiency and effectiveness are the two key criteria for judging performance. They define the terms as follows:

- Effectiveness: the relationship between an organisations output and its objectives (ie outcomes or results)
- Efficiency: the ratio of outputs to inputs (eg expenses), or the amount of output per unit of input (ie outputs)

In addition, 'Economy' (ie inputs) is often added to complete what is commonly referred to as the 'Three Es' of performance measurement (Hyndman & Anderson, 1997; Boland & Fowler, 2000).

To enable the evaluation of economy, efficiency and effectiveness, it is necessary to measure inputs, outputs and outcomes (or results). It is the need to demonstrate efficiency (and accountability for public funds) that has led to the drive for 'Best Value' (Bolton, 2003). However, within public sector organisations which often have multiple, long term non-financial objectives focused on societal impact, it can prove difficult to measure the 'three Es' and therefore difficult to evaluate performance (Hyndman & Anderson, 1997).

Arguably, the drive to measure the 'three Es' hinders the organisation's capacity to drive not only effectiveness (Halachmi, 2002, Boland & Fowler, 2000, de Bruijn, 2002) but efficiency itself (Bolton, 2003).

Bolton (2003) suggests a number of questions to be addressed by the performance measurement regime of an organisation, the most important being how well does the organisation fulfil its mission (ie vision and aims), that is, the measure of its effectiveness – the most important and yet the most difficult question to address. Bolton proffers the reasons for this difficulty as:

- Lack of competition – there is little to measure against
- Mission is long term
- Mission may be political

- It is often easy to identify excuses for unfulfilment (Bolton, 2003,)

He suggests two opportunities for measurement of effectiveness:

- **Comparison of actual against target performance**

If the agency is effective, its mission will have been translated into a series of goals and targets for a given time period. The first measure of mission effectiveness is to assess the nature of these goals: are goals realistic, challenging, and clearly aligned with the mission, and are targets appropriate, achievable and measurable – if so, then comparison of actual performance with the target performance offers a reasonable view of effectiveness.

- **Time-series measurement**

Data can be compared over time and performance seen to be improving or declining. However, this does not necessarily provide a true picture of effectiveness, particularly where the ultimate mission of the organisation is dependent on a number of external factors over which it has little or no influence (for example, in the case of LCC, its aim of ‘creating an enterprise culture’ (Appendix 4) will be disadvantaged in a worsening economy – business competitiveness indicators may decline, despite the effectiveness of the authority).

Bolton (2003) suggests that ‘triangulation’ (Eisenhardt, 1989) may provide a clearer view of performance, that is a combination of both ‘hard’ and ‘soft’ measures (ie customer or employee satisfaction) to establish the discrepancy between ‘reality’ and ‘perception’, for example, if street cleansing indicators show high standards of cleanliness, but customers are dissatisfied with the service, then is the local authority achieving its aims? However, there are disadvantages in ‘triangulation’ as a method of measurement - ‘perception’ is influenced by a combination of factors that may bear no relevance to the quality of service provision (e.g. political beliefs).

However, Boland & Fowler (2000) argue that attempts to recognise the intangibility of outcomes through quantifiable performance indicators is imprecise, and that this leads to the erroneous interpretation of indicators as synonymous with concrete measures of organisational performance. This becomes even more significant when such indicators are



linked to accountability networks and resource allocation procedures. (Boland & Fowler, 2000).

*'Focus on quantifiable indicators of economy and efficiency may be not only misleading but dangerous. Measures and indicators should not be employed didactically for the purposes of organisational accountability, but should be used to inform political debate on the broader issues of the nature and form of the public services required'.* (Boland & Fowler, 2000).

If such indicators are to be used as a measure of 'outcome', then Bolland & Fowler (2000) suggest that their value as a management tool can only be realised if they are used as an internal control for improvement, development and motivation rather than appearing as an externally applied source of accountability and implied threat.

*"Limitations and inadequacies associated with performance measures can have a negative and threatening impact upon the member of the organisation, with emphasis placed upon increasing efficiency gains."* (Boland & Fowler, 2000)

Consequently Smith (1995) argues that external control should be concerned with the achievement of outcomes, not accountability for the use of inputs.

### **2.3.2 Accountability vs Improvement**

Accountability has been defined by the Government Accounting Standards Board as: *'....being obliged to explain ones actions, to justify what has been done .....accountability requires governments to answer to the citizenry – to justify the raising of public resources and the purposes for which they are used'* (GASB, 1987).

Boland & Fowler (2000) demonstrate the conflict between the use of performance measurement for both external accountability and internal improvement in Figure 2.6 where the nature of the controlling source (ie internal or external) results in either a positive (supportive or beneficial) or negative (threatening or punitive) action.

		Resultant Action	
		Positive Action	Negative Action
Control Location	Internal Controls	1	3
	External Controls	2	4

**Figure 2.6: Control locations and resultant action matrix model (Boland & Fowler, 2000)**

**Quadrant 1** – performance management systems – typically include internal quality assurance, and assessment procedures (Boland & Silbergh, 1996). Application of these would lead to positive (supportive) actions in terms of actions arising. In principle, the concept of total quality management could broadly characterise this approach.

**Quadrant 2** typically involves an external body that is responsible for auditing an organisation’s own performance measurement and quality systems, rather than performing these directly and in detail for each of the organisation’s operational activities. The external agent can then offer advice on how the organisation as a whole can develop its component parts to ensure continued development and performance. This process is characterised by less emphasis on formal measures and more reliance on general indicators of outcome (Smith, 1995) and is therefore seen as basically positive and supportive in nature (e.g. Investors in People process).

**Quadrant 3** is typically characterised by sub-units within the organisation being measured internally, a function often performed by the centre. However, in this quadrant, control is associated with negative consequences, in terms of actions arising. This is especially true in large complex organisations and public sector authorities where departmental budgets are allocated centrally and may be adversely affected by alleged poor performance such as occurs in the Civil Service and local government (Horton, 1999; Painter & Isaac-Henry, 1999).

**Quadrant 4** is similar to Quadrant 3 in that negative (punitive) actions can be expected to follow a poor assessment, but differs in that authority and control are now imposed externally. This creates an inherently unstable regime in which to operate, and can easily lead to an overall worsening of public services rather than holistic improvement.

Boland & Fowler (2000) contend that the practice of performance management in the public sector lies mainly (if not completely) in quadrant four.

Halachmi (2002) concurs with the analysis that the requirement within the public sector to generate a 'report card' (in the case of LCC, a CPA Scorecard) may involve a loss of operational capacity due to:

- An increase in the cost of overhead at the expense of operations and
- A loss of capacity to affect outcomes due to the need to overcome opposition and lost goodwill that result when staff, service recipients and other stakeholders do not support the idea of performance measurement or how it is being done (Halachmi, 2002).

He argues that the numerous papers in recent years extolling the virtues of performance measurement and improved accountability (Gormley & Weimer, 1999) do so without addressing the real and full systemic or social cost in comparison to the proven meager benefits. In order to fully understand the conflict between enhancing both accountability and performance, it must be recognised that accountability can only be established under conditions of certainty and linearity – performance measures document the extent of the expected progress but leave no room for the recognition of unplanned achievements. Halachmi (2002) argues that measuring performance against actual achievements may greatly help to improve performance but finds little evidence that this is addressed in current performance management regimes.

In addition, performance may suffer where managers are reluctant to make necessary adjustments to their operations mid-course, for fear of deviation from the accountability 'blueprint' – managers may be willing to compromise their duty to be proactive for the sake of an unqualified audit report. The tendency of managers to 'play it safe' for the sake of accountability creates an environment which stifles creativity and innovation – two key

factors in improving performance (Halachmi, 2002) – referred to by de Bruijn (2002) as the *'paradox of increasing perverse effects'*.

*"Between the forces that foster bureaucratic inertia and the current emphasis on accountability, Peters' (Peters & Waterman, 1982) 'Skunkworks', which made it possible to invent the post-it note at 3M, is unlikely to happen in the public sector. Improved performance is likely to be pre-empted by the red tape and reporting required for accountability requirements". (Halachmi, 2002)*

Halachmi (2002) concludes that managers within the public sector must decide what they want performance measures to do - enhance accountability or boost performance, but are unlikely to achieve the two together.

### **2.3.3 Perversity in Public Sector Performance Management**

The shortcomings and dysfunctional consequences of performance measurement systems have been discussed in academic literature for at least 50 years (Ridgway, 1956) but recently there has been a flurry of activity and the critics of performance measurement are growing in number (Neely, Gregory & Platts, 1995; Marr & Shiuma, 2002; Neely, Kennerley & Martinez, 2004).

There is considerable concern about the dysfunctional aspects of performance measurement in the public sector (Pidd, 2004). Smith (1995) states that performance measurement schemes can have consequences quite different from those intended by their designers, whilst Goldstein and Spiegelhalter (1996) argue that league tables can be a misleading way of presenting performance data.

Smith (1995) lists eight unintended consequences of publishing performance data in the public sector. Pidd (2004) emphasises that this is not an argument against performance measurement per se, but more an indictment of *'the clumsy way in which such schemes are sometimes implemented'*. Pidd argues that these unintended consequences reflect Goodhart's Law that *'any observed statistical regularity will tend to collapse once pressure is placed upon it for control purposes'* or stated more generally by Caulkin (2004) *'targets are only useful as long as you do not use them to manage by'*.

Smith's unintended consequences are as follows:

- Tunnel vision: which occurs when service managers, faced with many different targets, choose the ones that are easiest to measure and ignore the rest
- Sub-optimisation: when service managers choose to operate in ways that serve their own operation well but damage the performance of the overall system
- Myopia: when, for whatever reason, managers focus their efforts on short term targets at the expense of longer term objectives
- Measure fixation: when outcomes are difficult to measure there is a natural tendency to use performance indicators based on measurable outputs. Measure fixation occurs when the performance indicator itself becomes the focus rather than the desired outcome.
- Misrepresentation: a form of fraud which occurs when performance data is either misreported or distorted to create a good impression
- Misinterpretation: this is most evident in performance league tables and occurs when statistical measures are imprecise and there may be no real difference between many of the units sequenced in the table – though this may not be obvious from the single-point estimates used (Bird, Cox, Farwell, Goldstein, Holt & Smith, 2003; Goldstein & Spiegelhalter, 1996)
- Gaming: this occurs when a manager deliberately under-achieves in order to secure a lower target in the next round of activity
- Ossification: which happens when a performance indicator is past its sell-by date and has lost its purpose, but no-one can be bothered to revise or remove it (Smith, 1995).

These dysfunctionalities occur because targets and performance indicators are used inappropriately – Pidd argues that when the main purpose of such performance measurement is control, then dysfunctionality is difficult to avoid (Pidd, 2004).

## **2.4 Evaluating the Impact of Performance Management Systems**

According to Neely, Kennerley and Martinez (2004), there has been much prescription regarding the design of performance management systems, but very little consideration of whether such systems actually work (Neely et al, 2004; Franco & Bourne, 2003). It is

worth noting that Speckbacher et al (2003) have reported that 8% of 174 German speaking countries decided not to implement a performance measurement system because they could not see the advantages or 'positive impact', especially given the effort required to implement such systems (Speckbacher et al, 2003).

#### **2.4.1 Factors in the Design and Implementation of Performance Measures**

Research by Hyndman & Anderson (1997) sought to review the use of performance measures in the public sector to identify whether the participating agencies used performance measures effectively to focus on performance improvement. The methodology was based on an empirical time-series analysis of performance measures used in the business plans and corporate plans of public agencies. The performance measures were classified according to prescribed definitions of 'input', 'output' and 'outcome' – the hypothesis being that such measures are aligned to the 'three E's' of performance management i.e. 'economy', 'efficiency' and 'effectiveness' respectively.

The research identified a number of obstacles in developing appropriate and meaningful performance measures including:

- **Setting Objectives:** which they argued was potentially the most difficult part of the performance measurement process. They identify an inherent danger in defining objectives in terms of activity (output) measures rather than results measures that contribute to the strategic mission of the organisation. The problem, they argue, is that more activity does not necessarily lead to improved results, just more expense (Hyndman & Anderson, 1997).
- **Differing Organisational Levels:** there should be performance measures at each level within the organisation and a clear relationship established between 'high-level' measures which contribute to the strategic mission of the organisation, and 'low-level' measures that will tend to be more specific and technical (Hyndman & Anderson, 1997). Carter (1989) refers to the use of performance measures as either 'dials' or 'tin-openers' – implicit in the terms is that 'dials' measure unambiguous standards of performance, whilst 'tin-openers' present a more contestable notion of performance (Carter, 1989). It is likely that the 'low-level' measures will be more akin to 'dials'

whilst the 'high-level' measures will represent the 'tin-openers' – establishing co-ordination between the two can present difficulties (Carter, 1989).

- **Measuring Quality:** In some circumstances, quality can be measured in terms of freedom from error (eg number of transactions correctly processed). However in the case of 'high-level' measures, it may only be possible to measure quality through user surveys, focus groups etc which introduces an element of subjectivity (Hyndman & Anderson, 1997). Carter, Klein and Day (1992) state that due to this difficulty in measuring quality, it is more likely to be measured in terms of processes (i.e. outputs) rather than the achievement of ultimate results and that therefore there is a danger that the measurable will displace the unmeasurable, leading to a distorted picture of performance (Carter, Klein & Day, 1992).
- **Basis of Comparison:** Measures of performance are normally relative rather than absolute and therefore a basis for comparison is usually required either with previous years or with similar organisations. (Hyndman & Anderson, 1997). Hyndman & Anderson highlight a common difficulty with comparison between similar organisations namely, that in measures of efficiency which involve the allocation of joint costs *'the unscrambling of these costs, often on a fairly arbitrary basis, make it difficult to compare measures between organisations'* (Hyndman & Anderson, 1997). In addition, they identify that external influences may also make comparisons difficult and that *'differences in socio-economic variables regarding populations from various geographic areas may render comparisons of performance meaningless.'*
- **Measuring the Important:** 'High-level' performance measures are often difficult to establish for a number of reasons such as: they tend to be long term measures; environmental factors are more likely to impact upon them; it can be difficult to capture qualitative dimensions. These difficulties tend to encourage concentration on 'low-level' measures which are removed from crucial strategic issues and therefore result in a plethora of low-level performance measures but a scarcity of those that demonstrate real outcomes (Hyndman & Anderson, 1997). Carter, Klein and Day (1992) suggest that such focus on outputs offers perverse incentives to focus on those activities where it is easiest to *'notch up a big score'* e.g. the police may focus on making more arrests,

but it does not necessarily follow that they are making the right arrests (Carter, Klein & Day, 1992). Williams (1985) concludes that such a 'simple-minded approach' to measuring performance cannot play more than a minor contributory role in improving performance (Williams, 1985).

Hyndman and Anderson (1997) drew a number of conclusions from their research including:

- There was an inadequate discharge of accountability in a significant number of public agencies and little information reported on efficiency and effectiveness
- The use of performance information in annual reports had improved over time, with greater use of 'high level' performance measures (i.e. 'results-based' measures)
- Inadequate costing systems, particularly in relation to cost allocation procedures, presented difficulties in interpreting performance information in a meaningful way
- A lack of distinction between key and other targets resulted in a lack of co-ordination and focus by management

The findings highlighted the need to conduct further research into the impact of performance measurement in the public sector with a focus on certain key issues:

- The appropriateness of measures
- The extent to which target-setting is prescribed in public sector agencies
- The degree of difficulty in establishing 'high-level' results-based measures
- The reliability of information
- The use of performance information by managers to improve performance
- Linkages between key and other objectives
- The costs and benefits of performance information (Hyndman & Anderson, 1997)

Hyndman and Anderson (1997) concluded that the increased focus on performance by the UK Government had led to significant changes within public sector agencies, but that whether the changes were appropriate or efficacious in terms of achieving objectives was a matter of continuing debate and required further research.



#### **2.4.2 The Impact of the Balanced Scorecard**

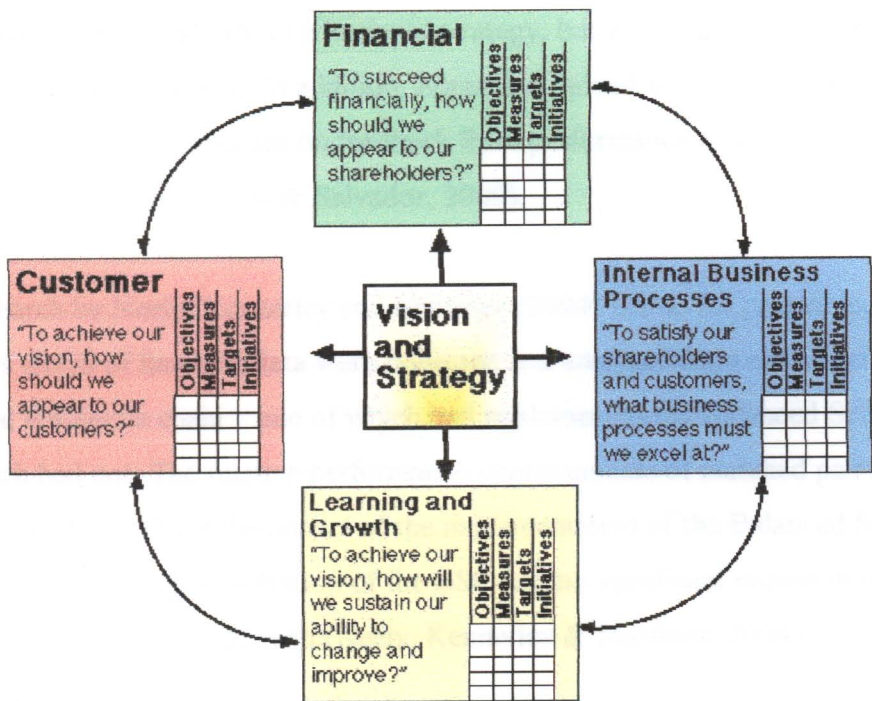
The Balanced Scorecard (BSC) was developed during the early 1990's by Robert Kaplan and David Norton (Kaplan & Norton, 1996) to address some of the vagueness and weaknesses of previous management approaches, and to provide a strategic management approach that did not focus solely on financial measures of performance. The approach is based on a view of the organisation from four perspectives: Financial; Internal Business Processes; Learning and Growth; and Customer (Figure 2.7). Kaplan & Norton (1996) proposed that an organisation develop metrics, collect data and analyse it relative to each of these four perspectives.

The Balanced Scorecard (BSC) proved popular with organisations who were attempting to re-engineer their performance measurement systems to overcome the problems associated with traditional systems and the take-up of the BSC worldwide is impressive: Frigo and Kumwiede (1999) suggest that between 30% and 60% of large US firms adopted the BSC between 1995 and 1999, and evidence suggests that by 2001, 44% of organisations worldwide had adopted the BSC (Neely et al, 2004). More recent data suggests that by the end of 2004, 85% of organisations worldwide will have performance measurement system initiatives underway (Rigby, 2001; Silk, 1998; Williams, 2001; Speckbacher, Bischof & Pfeiffer, 2003; Marr, Neely, Franco, Wilcox, Adams & Manson, 2004).

However, despite the popularity of the Balanced Scorecard, there has been relatively little research into whether it actually works (Neely et al, 2004). Kaplan and Norton (2000) have made some efforts to demonstrate the impact of the Balanced Scorecard, but their approach has been largely based on anecdotal cases (Kaplan & Norton, 2000).

Significant and notable research has been undertaken by Ittner and Larcker (2003), which reported that 23% of the organisations surveyed consistently built and tested causal models to underpin their measurement systems, and that these 23% achieved 2.95% higher return on assets and 5.14% higher return on equity (Ittner & Larcker, 2003).

Fig. 2.7: The Balanced Scorecard (Kaplan & Norton, 1996) Source: [www.balancedscorecard.org](http://www.balancedscorecard.org), July 2004



Other similar studies have been undertaken but execution tends to be less robust (Neely et al, 2004). Survey data collected by consultancy and commercial research companies suggests that organisations managed through ‘balanced’ performance measurement systems perform better than those that are not (Lingle & Schiemann, 1996; Gates, 1999). Lingle and Schiemann report evidence that organisations making more extensive use of financial and non-financial measures and linking strategic measures to operational measures have higher stock market returns (Lingle & Schiemann, 1996). Lawson, Stratton and Hatch’s survey into the benefits of the Balanced Scorecard reported that the use of a performance measurement system as a management control tool reduces overhead costs by 25% and increases sales and profits (Lawson, Stratton & Hatch, 2003).

Other research suggests that the use of a balanced performance measurement system improves the decision-making performance of managers and employees (Dumond, 1994; Sandt, Schaeffer & Weber, 2001) whilst Lawson et al (2003) and Dumond (1994) found that using performance measurement systems and linking scorecards to employee reward,

significantly increased employee satisfaction, although Ittner et al (2003) present evidence to the contrary. Vasconcellos (1988) and Ketelhohn (1999) both report that the identification and selection of appropriate key performance measures not only enhances the implementation and acceptance of a business strategy, but also enhances employee understanding of the business. In addition, Forza and Salvador (2000) suggest that where employee communication focuses on feedback from performance measures, collaboration and 'buy-in' is increased. (Forza & Salvador, 2000).

Recent research by Neely, Kennerley and Martinez (2004) has so far proved inconclusive – three year's worth of financial data were collected and analysed from two sister divisions of an electrical wholesale chain – one of which had implemented the Balanced Scorecard and one of which had not. The relative performance improvements of matched pairs of branches were compared to establish the impact of the implementation of the Balanced Scorecard – the data suggests that implementation of the BSC had no significant impact in terms of sales growth or gross profit growth (Neely, Kennerley & Martinez, 2004).

The research concludes that further work is required to establish whether improved performance will be evident given a longer period of time, or indeed, whether the Balanced Scorecard approach has any impact at all - Neely, Kennerley & Martinez (2004) suggest that perhaps it should be regarded as another of the much-criticised performance measurement systems that provide 'too much data too late for managers to act upon them'. (Neely, Kennerley & Martinez, 2004).

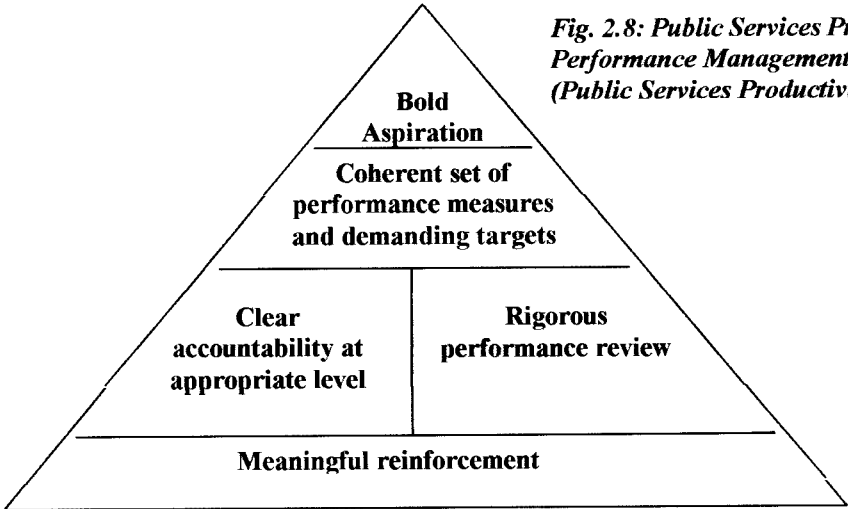
#### **2.4.3 Performance Management in the Public Sector: Fact or Fiction?**

In 1999, the Audit Commission articulated the requirement for public sector organisations to adopt performance management systems in order to modernise services, emphasising two key 'drivers':

- To improve public services through increased economy, efficiency and effectiveness in service delivery, and;
- To reinforce accountability, so that organisations are clearly held to account for the resources they use, and the outcomes achieved. (Audit Commission, 1999)

In order to address these key ‘drivers’, the Public Services Productivity Panel was established in 2000 to support the improvement of public services productivity (Public Services Productivity Panel, 2000). The Panel focused on productivity in the wider sense to cover the ‘three Es’ of economy, efficiency and effectiveness so that productivity was defined as *‘the broad relationship between inputs and public service outcomes’* (Public Services Productivity Panel, 2000). On this basis, the Panel produced a framework that aimed to represent the building blocks of performance management (Figure 2.8). Versions of the model have been reproduced in a number of Government publications on performance management e.g. ‘Choosing the Right FABRIC, A Framework for Performance Information (2000), the Local Government White Paper ‘Strong Local Leadership, Quality Public Services (2001) and more recently ‘Managers’ Guide to Performance Management’ (IDeA, 2004). The model was based on two fundamental assumptions:

- That in order to function optimally all the basic building blocks must be in place
- There is a natural sequence in which all the blocks need to be addressed (i.e. top-down) (Public Services Productivity Panel, 2000)

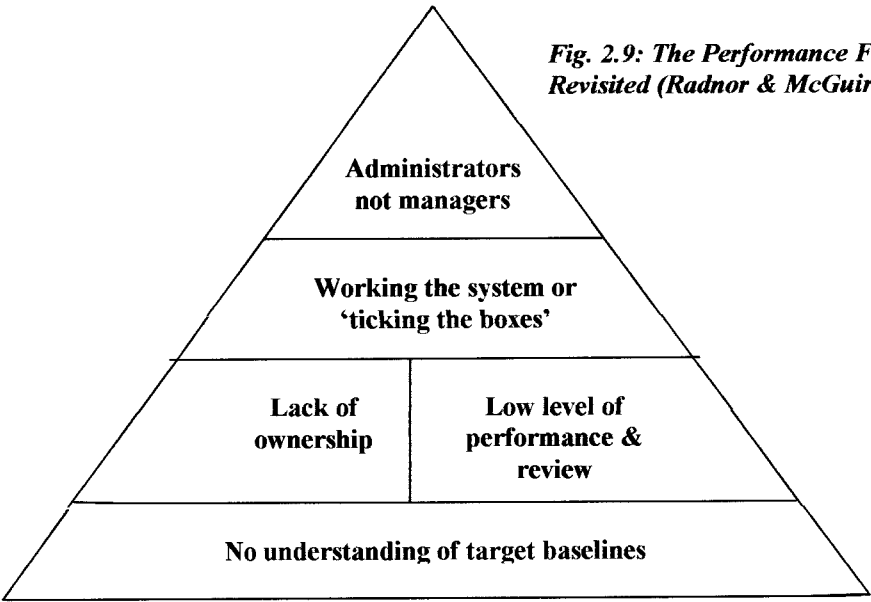


*Fig. 2.8: Public Services Productivity Panel: Performance Management Framework (Public Services Productivity Panel, 2000)*

The elements of the model are described as follows:

- Bold aspiration refers to the necessity for organisations to have a clear vision and sense of direction in achieving that vision, in order to stretch and motivate the organisation
- The performance measures need to be SMART (Specific, Measurable, Achievable, Relevant and Time-Bound)
- Clear accountability at the appropriate level to ensure that individuals who are best placed to deliver targets have real ownership for doing so
- Rigorous performance review to ensure that continuously improving performance is being delivered in line with expectations
- Reinforcement to motivate individuals to deliver the targeted performance (Public Services Productivity Panel, 2000; IDeA, 2004)

Research by Radnor and McGuire in 2004 attempted to assess whether the model could be effectively applied to public sector organisations and indeed, whether performance management in the public sector was fact or fiction (Radnor & McGuire, 2004). The research was based on two case studies in large public sector organisations and resulted in Radnor and McGuire’s alternative model that they argued more accurately reflected the reality of performance management in the public sector – The Performance Framework Revisited (Figure 2.9).



*Fig. 2.9: The Performance Framework Revisited (Radnor & McGuire, 2004)*

Radnor and McGuire identified the barriers to progress in their 'revisited' framework that emerged during the research, summarised as follows:

- The role of managers is far more akin to the role of administrators in relation to performance measurement and management
- That in order to achieve or respond to various stakeholders, staff spend more time 'form filling' and chasing information than changing or managing the process and that *'the desire and support to merely tick the boxes is strong'*
- Lack of ownership is particularly apparent when targets are dependent on an outside body – where staff feel that they have no direct influence on either the target-setting process or the achievement of those targets, they lose interest and motivation
- Review of performance is inadequate – too much time was spent on collecting data to satisfy government requirements rather than ensuring that the right measures were in place and reviewing progress
- Lack of understanding of targets in terms of customer results meant that staff spent too much time trying to achieve outputs i.e. increasing activity with no regard for quality of the outcome. (Radnor & McGuire, 2004).

Radnor and McGuire concluded that within the public sector under its present conditions, it would be difficult for any, let alone all five, of the building blocks shown in Figure 2.8, to be achieved. They argue that performance in the public sector is about measurement not management, that the system is diagnostic not interactive and is not about improving performance, that targets are not appropriately evaluated, that there is lack of ownership and as a result, performance management in the public sector is closer to fiction than fact. (Radnor & McGuire, 2004)

## **2.5 Summary**

The review of the literature highlights the considerable attention given to the theory and practice of performance management since its development from Drucker's management-by-objectives in 1955 and the significant research that has been undertaken to establish the key principles for performance management systems. The growing popularity of performance management can be seen both in the private sector and, more recently, the

public sector, with the introduction in the UK of the Local Government Modernisation Agenda, the Best Value Framework and Comprehensive Performance Assessment.

However, there are growing concerns that within the public sector where accountability and control are key drivers for the implementation of performance management systems, such systems are unlikely to deliver improved performance and will result in negative 'unintended consequences' or perversity. Recent research suggests that the UK public sector performance regime and the introduction of the CPA scorecard is an indication of Central Government's move to 'tighten the screws' (Bovaird, 2004) and is far more focused on improved accountability than improved performance. Moreover, there is little evidence that performance management systems actually deliver the desired impact, and that although they are perceived to bring positive benefits, very little systematic evaluation has been undertaken. Previous attempts to systematically evaluate performance management systems have proved inconclusive.

The literature review raises a number of questions that are relevant to this study. In particular: whether performance management in the public sector leads to improved performance or simply improved accountability; to what extent are the 'unintended consequences' of performance management evident across the public sector; whether the evaluation of performance management systems can demonstrate that the benefits outweigh the costs. It would appear from the literature reviewed that further research is required.

### **3 Research Methodology**

#### **3.1 Justification for the Methodology**

The research question under consideration comprises two parts:

- Firstly, to consider whether the performance measures within the LCC Corporate Performance Management Framework (CPMF) demonstrate improvement over time since introduction of the CPMF, with specific concern for those performance indicators which can be interpreted as measuring ‘customer impact’ (ie ‘results-based’ measures)
- Secondly, whether any improvement identified during the research can be attributed to the CPMF. In addition, the second part of the research identifies other issues which may influence performance in service delivery.

In view of the nature of the research question, the research adopts a combination of both positivistic and phenomenological paradigms:

- A positivistic approach is used to consider the first part of the research question due to the precise and specific nature of the data to be analysed (Hussey & Hussey, 1997)). The research is designed to consider whether the performance measures within the CPMF demonstrate improvement over time with a particular focus on ‘customer impact’ measures. The methodology employed is based upon Hyndman and Anderson’s previous research (Section 2.4.1) which provides a taxonomy of performance measures according to whether they are ‘input’ or ‘output’ or ‘result’ (i.e. customer impact) measures – the taxonomy corresponds with the ‘three E’s’ of performance measurement i.e. ‘economy’, ‘efficiency’ and ‘effectiveness’ (Section 2.3.1). It is hypothesised that any improvement in ‘customer-focused’ results can be evidenced through improvement in those performance indicators which are categorised as ‘result’ measures. The methodology goes a stage further than the Audit Commission inspection of the City Council’s performance management framework (Section 1.2) which did not attempt to analyse performance measures according to the Hyndman & Anderson taxonomy.

Therefore, an analysis of the key performance indicators that form the foundation of the City Council’s Corporate Performance Management Framework (CPMF) over the last



three years (since introduction of the CPMF) according to whether i) they demonstrate improvement or not (i.e. either 'static' or 'failing') and ii) they can be categorised as 'input', 'output' or 'result', provides evidence in response to the first part of the research question.

- The second part of the research question i.e. whether any improvement in key performance indicators can be attributed to the CPMF, is evaluated using a phenomenological methodology (as demonstrated in the CIPD 1997 survey discussed in Section 1.3.1) i.e. the data is qualitative and subjective (Hussey & Hussey, 1997). The analysis is based on qualitative primary data collected via a series of semi-structured interviews with service managers responsible for key performance indicators within the sample. The collection of qualitative data also identifies other issues which may impact upon performance such as Smith's 'unintended consequences' (1995) discussed in Section 2.3.3 and the potential conflict between accountability and performance improvement (Section 2.3.1). Such issues can only be identified using a phenomenological approach (as demonstrated in previous research by Radnor & McGuire (2004) discussed in Section 2.4.3).

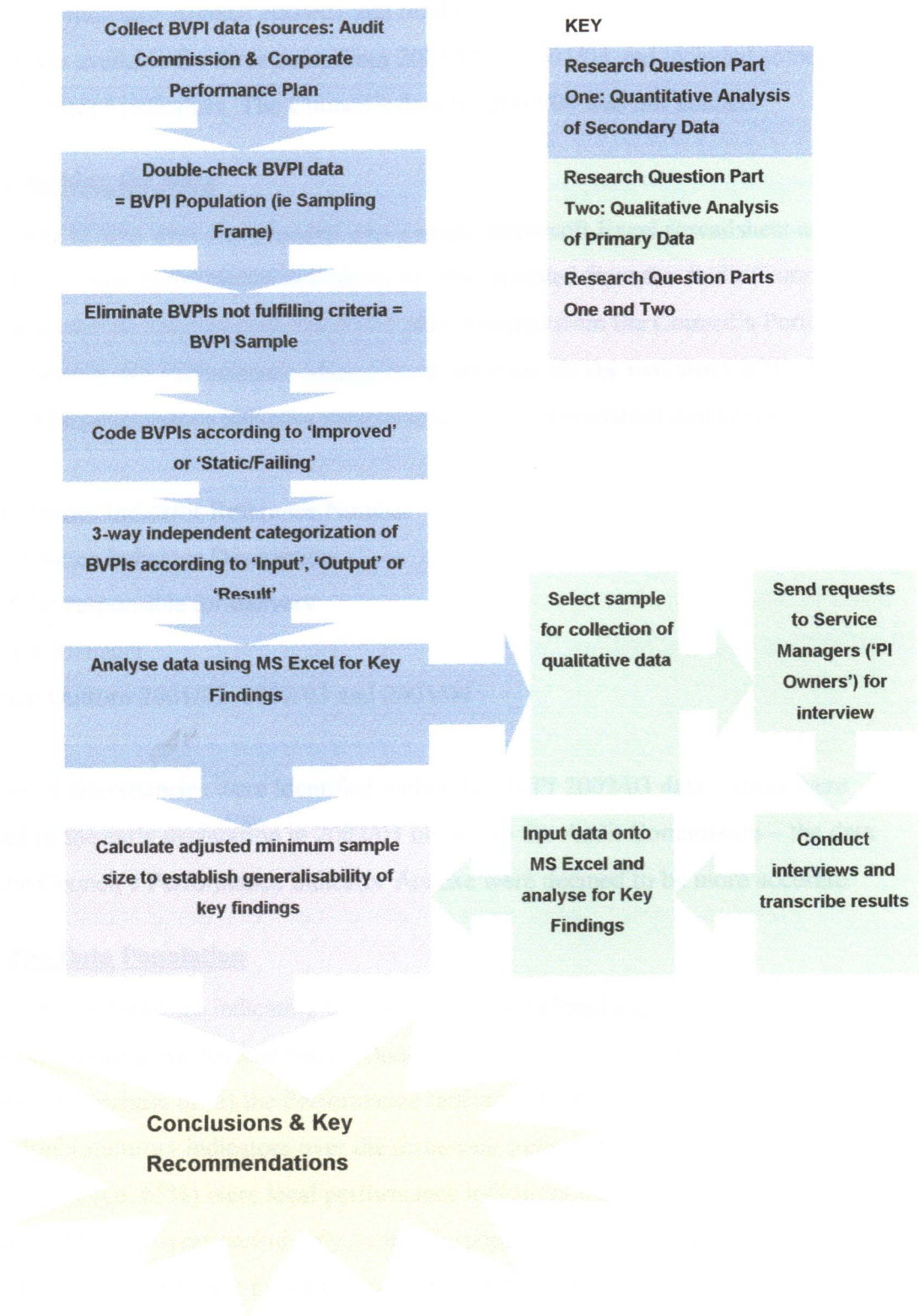
### **3.2 Research Design**

The research design is based on two distinct stages to address each of the two parts of the research question. In order to clarify the research design, the key stages in the research process are shown in Figure 3.1. The key stages are described in detail in Sections 3.3 and 3.4 below.

### **3.3 Collection and Analysis of Quantitative Data**

Quantitative secondary data based on the annual outturns of key performance indicators measured within the Corporate Performance Management Framework was collected for three years (2001/02 to 2003/04). There were three sources of data used: the Audit Commission website which publishes the audited data for Best Value Performance Indicators (BVPIs) for all local authorities ([www.audit-commission.gov.uk/cpa-authorities](http://www.audit-commission.gov.uk/cpa-authorities)); Liverpool City Council's Corporate Plan Performance Indicator Annexe 2004/07; and the City Council's Corporate Performance Management Database.

Figure 3.1: Key Stages in the Research Design (Heath, 2004)



The audited BVPI data published on the Audit Commission website was available for two years – 2001/02 and 2002/03. The data held within the Council's Corporate Plan Performance Indicator Annexe 2004/07 and on the Corporate Performance Management Database was available for three years from 2001/02 to 2003/04 and included some key local performance indicators. The Council's data for 2003/04 was not audited.

### **3.3.1 Checking the Data**

All three sets of data were downloaded into a single Microsoft Excel spreadsheet and the data for Best Value Performance Indicators (BVPIs) sourced from the Audit Commission website was used to double-check the BVPI data obtained from the Council's Performance Indicator Annexe and Performance Management database for the two years 2001/02 and 2002/03. The performance indicator data included in the spreadsheet comprised:

- Performance Indicator Reference Number
- Performance Indicator Description
- Portfolio responsible for delivery
- Service Manager
- Annual Outturn 2001/02, 2002/03 and 2003/04

A number of discrepancies were identified within the BVPI 2002/03 data – these were attributed to the early declaration in 2002/03 of data to the Audit Commission – the data within the Council's Performance Indicator Annexe were deemed to be more accurate.

### **3.3.2 The Data Population**

In total, 565 performance indicators were identified (both local and Best Value Performance Indicators) that had been included either i) within the Corporate Performance Management Database or ii) the Performance Indicator Annexe or iii) within the Audit Commission's statutory indicators over the three-year period. Of those 565 performance indicators, 371 (i.e. 65%) were local performance indicators that had appeared at some point during the three-year period only on the Corporate Performance Management Database. These performance indicators were discounted from further analysis as: firstly, the large majority appeared for one year only; secondly, the robustness of data was not confirmed; thirdly, many of the indicators were not measurable and indeed, not

performance indicators at all but rather annual milestones; finally, many had not reported any annual outturn. The data population (i.e. the sampling frame) was taken as the remaining 194 statutory Best Value Performance Indicators that were valid performance measures and subject to audit procedures.

**3.3.3 The Data Sample**

The remaining 194 Performance Indicators were all statutory Best Value Performance Indicators (BVPIs) which appeared as Key Performance Indicators (KPI's) published in the Corporate Performance Plan and available for public scrutiny. These 194 BVPIs became the Sampling Frame. The data for these remaining 194 BVPIs were then considered further and assessed according to the criteria required to undertake the research, that is: the definition of the BVPI had to have remained consistent during the three-year period over which the data was analysed. Application of the criteria for consistency in the BVPI definition excluded a further 116 BVPIs from the sample i.e. 60% of the statutory BVPIs had not remained consistent from 2001/02 to 2003/04. The sample was reduced to 78 BVPIs that had remained both constant and consistent from 2001/02 to 2003/04. It could be argued that the sample therefore was 'self-selecting' and resulted in a sample of 78 from a population of 194 BVPIs (i.e. 40% of the population).

**3.3.4 Identification of the Variables**

In order to conduct exploratory data analysis of the sample, each BVPI was coded according to whether i) improvement was evidenced over the three-year period from 2001/02 to 2003/04 ii) the BVPI was determined as an 'input', 'output' or 'result' (i.e. 'outcome') BVPI.

**3.3.4.1 Improved and Static/Failing PI's**

The annual outturn for each BVPI was considered between 2001/02 and 2003/04 and the BVPI coded within the Excel spreadsheet according to either:

Improved = code '1'

Static or Failing = code '0'

For the purposes of the analysis, the 2001/02 outturn for each BVPI was taken to be the baseline position and the 2003/04 outturn as the final indicator e.g. where a BVPI showed improvement from 2001/02 to 2002/03, but deteriorated from 2002/03 to 2003/04 to a

position below the 2001/02 baseline, the BVPI was coded as ‘0’ (static/failing). Conversely, where a BVPI showed no improvement or had deteriorated between 2001/02 and 2002/03, but had improved in 2003/04 to such an extent as to raise performance above the baseline, the BVPI was coded as ‘1’ (improved).

**3.3.4.2 Input, Output, Results (or Outcome) BVPIs**

Once each BVPI was coded according to either ‘improved’ (code 1) or ‘static/failing’ (code 0), they were further categorised according to whether they measured ‘input’, ‘output’ or ‘result’ (i.e. outcome-based with customer impact). The categorisation of BVPIs was based on Hyndman and Anderson’s taxonomy capturing inputs, outputs and results (Hyndman, N & Anderson, R, 1997). However, the absence of generally accepted definitions proved a potential problem with the analysis and introduced an element of subjectivity.

In order to minimise subjectivity, a model was established which defined each category with examples (Appendix 5) according to Hyndman & Anderson’s definitions (Sections 1.8 and 2.4.1). Two officers within Liverpool City Council (each with a sound understanding of performance measurement principles) were asked to independently categorise the BVPI sample according to the model, to be compared with the author’s categorisation. Where differing categories were accorded to the same BVPI, discussion took place between the author and officers until agreement could be reached on a ‘best fit’ category – a minimum of two concurring results were required in order for the BVPI to be incorporated into the analysis.

Each BVPI was then attributed with a nominal code according to the following categories:

- Input = I
- Output = O
- Result = R (where result is ‘outcome’ or ‘customer impact’)

**3.3.5 Analysis of the Variables within the BVPI Sample**

Once the Excel spreadsheet was fully populated with data according to the BVPI variables as above, an analysis was undertaken using Microsoft Excel to identify the extent of improvement in BVPIs monitored within the City Council’s Corporate Performance Management Framework (CPMF) since 2001/02 according to input, output and result i.e.

economy, efficiency and effectiveness (or customer impact) measures. Further analysis was undertaken to explore potential relationships between each of the variables. The results of the analysis are shown in Chapter Four.

### **3.3.6 Generalisability of the Quantitative Analysis**

The BVPI sample size (i.e. 78 BVPIs from a population of 194) represented 40% of the population. Following the analysis of the data, the adjusted minimum sample size required in order to draw conclusions about the key findings was calculated, based on a Confidence Interval of 90% and a Margin of Error of plus or minus 5% (an example of the calculation is shown at Appendix 6). The adjusted minimum sample size for each of the key findings is identified in Chapter Four.

## **3.4 Collection and Analysis of Qualitative Data**

The second part of the research question considers whether the Corporate Performance Management Framework has an impact on the performance of Best Value Performance Indicators. In order to address the research question, additional qualitative data pertaining to the BVPI sample was collected through a series of interviews with managers responsible for delivery of the BVPIs.

### **3.4.1 Purpose for Collection of Qualitative Data**

The collection of primary qualitative data was required for two main purposes:

- Triangulate the initial coding of BVPIs according to 'input', 'output' and 'result' through confirmation of the service manager
- Examine the impact of the CPMF on BVPI performance

In addition, additional exploratory data was gathered to:

- Enable further classification of the BVPIs according to whether:
  - BVPI was considered to be an appropriate measure of performance
  - BVPI was delivered solely by the LCC service or jointly with partners
  - Target-setting was done locally, nationally or driven by the 'top quartile' imperative

- Explore other variable factors in BVPI performance
- Explore other benefits of the CPMF (either perceived or tangible)

### **3.4.2 Method of Qualitative Data Collection**

Interviews were selected as the preferred method of data collection rather than a postal or email survey for several reasons:

- Managers are more likely to agree to be interviewed rather than complete a questionnaire (Saunders, Lewis & Thornhill, 2003; North, Leigh & Gough, 1983)
- An interview provides the opportunity to reflect, to receive feedback and personal reassurances about the way in which the information will be used
- Research participants may be reluctant to spend time providing written explanations, or to provide sensitive or confidential information to someone they have never met (Saunders et al, 2003)
- In addition, within Liverpool City Council, managers are subject to many requests to complete surveys and it was considered that a survey would return a low response rate.

#### **3.4.2.1 Type of Interview**

The type of interview adopted was determined by the nature of data to be gathered. The interviews were based on a semi-structured format although the initial questions could be regarded as structured in order to triangulate the initial categorisation of BVPIs – as Healey and Rawlinson state, a combination of styles may be used within each interview (Healey & Rawlinson, 1994).

Structured interviews were ruled out as it was anticipated that themes would vary from interview to interview, and such interviews impede the flow of conversation (Saunders et al, 2003). Conversely, unstructured interviews would be unlikely to provide enough data about specific themes. Semi-structured interviews were therefore selected as the preferred option in order to provide both explanatory data i.e. factors in delivery of BVPIs, and exploratory data i.e. the probing of themes that might emerge during the course of the interview (Wass & Wells, 1994). Moreover, as the questions to be posed might be considered complex and require further explanation (e.g. the definition of ‘input’, ‘output’ and ‘result/outcome’) and the order and logic of questions might require variation, a semi-

structured interview would provide the optimum vehicle for data collection (Easterby-Smith, Thorpe & Lowe, 2002; Healey, 1991; Jankowicz, 2000).

### **3.4.3 Disadvantages Associated with Semi-Structured Interviews**

There are drawbacks associated with the use of semi-structured interviews as a method of qualitative data collection, namely:

- Emphasis and balance of the emerging issues may depend on the order in which the participants are interviewed. It is essential therefore, that all the interviews are conducted in the same way – not only that the same questions are asked, but that they are posed in the same way. In addition, it is essential to ensure that the interviewee will understand the question in the same way ie ‘stimulus equivalence’ (Hussey & Hussey, 1997).
- As with other methods of data collection, confidentiality is an issue, especially where questions may raise sensitive issues. To counter this potential barrier, all interviewees were assured that neither their name nor position would be used in the research findings
- In any type of interview, the interviewer may affect the interviewee’s responses, for example where there is an element of class, race or sexual bias (Hussey & Hussey, 1997). Indeed, Rosenthal (1966) argues that male and female interviewers can obtain significantly different results from their subjects. Although it is not possible to predict the potential for bias prior to the interview, it may be possible to ascertain during the interview itself.
- Hussey & Hussey (1997) suggests that events prior to the interview may also affect the interviewee’s response e.g. a recent promotion or reprimand. It may be possible to assimilate the atmosphere and the interviewee’s working environment by arriving at the interview a few minutes early.

Despite the disadvantages as above, such interviews facilitate more complex questions and follow-up questions that are not possible in a questionnaire. An interview may also permit a higher degree of confidence in the replies than questionnaire responses and can take account of non-verbal communication such as the attitude and behaviour of the interviewee.



#### **3.4.4 Selecting the Sample**

Research related to the second part of the research question was based on a series of interviews conducted with the senior managers responsible for those Best Value Performance Indicators (BVPIs) identified in the original sample of 78 BVPIs. The interviews were designed to collect qualitative data in order to evaluate the impact of the CPMF. As it was not possible to interview the managers for all 78 BVPIs, a sample was selected for the second part of the research question. The sample selection was intended to be representative of the 78 BVPIs in the original sample i.e. to comprise the same proportion of improved versus static/failing BVPIs, and according to the appropriate proportion of 'input', 'output' and 'results-based' BVPIs. At the same time, it was intended to include at least one BVPI from each Portfolio of the Council.

#### **3.4.5 Requesting the Interviews**

BVPI managers were requested by email to participate in the research (Appendix 7) and provided with the themes and questions to be explored (Appendix 8). The request to participate emphasised the confidential nature of the interview and the anonymity of participants. A number of open-ended questions were identified, the answers to which could then be explored in more depth.

Such interviews are recommended by Easterby-Smith, Thorpe and Lowe (1991) when it is necessary to understand the construct that the interviewee uses as a basis for his or her opinions about a particular matter. In this case, it was necessary to establish the interviewee's understanding and perception of the impact of the CPMF on the performance of the BVPIs included in the sample.

#### **3.4.6 Conducting the Interviews**

The interview schedule was established at the convenience of the research participants as well as the venue. At the commencement of each interview, the participant was reassured that all information would be treated in confidence and that individuals would not be cited within the published study. Participants were asked if they would object to the use of a cassette recorder to ensure accuracy of data collected. The interviewer then explained the

nature of the research including the background and the key findings to date. During the interview process notes were taken in addition to the cassette recording, in case of any technical failure with the equipment used. At the end of the interview, the participant was thanked for taking part and assured again that all information would remain confidential. The interviews were then transcribed from the cassette recording and the data analysed.

### **3.4.7 Analysing the Qualitative Data**

Analysis of qualitative data presents a number of challenges, the main one being that there is no clear convention for qualitative data analysis as with quantitative analysis. (Robson, 1993). In any analysis of qualitative data, the main problem is that often large volumes of data need to be reduced, structured and detextualised in order to form generalisations. For the purpose of this study, a phenomenological approach was adopted to the analysis of qualitative data gathered through interviews i.e. non-quantifying methods of data analysis. Miles and Huberman (1994) have developed a *general analytical procedure* which offers a method for managing and controlling the large volumes of data generated through qualitative data collection:

1. Convert rough field notes into a written record (and transcribe interviews)
2. Reference all material and record on a pro-forma summary sheet
3. Code the data
4. Group the codes into smaller categories according to themes
5. Write summaries of the findings at various stages
6. Use summaries to construct generalisations
7. Continue the process until generalisations are sufficiently robust

In the case of this study, the data was coded according to the interview questions and the results input onto a Microsoft Excel spreadsheet for analysis. A number of the independent variables were analysed to establish any potential correlation. The adjusted minimum sample size was calculated for the key findings based on a Confidence Interval of 90% and a Margin of Error of plus or minus 5%. In addition, broad common themes were identified and responses were summarised and categorised according to those themes.

### 3.5 Ethical Considerations of the Research

There are a number of ethical issues that required consideration during the research process including:

- **Confidentiality and anonymity:** the confidentiality and anonymity of the research participants was guaranteed both at the time of the request for an interview, and again at the start of the interview. For this reason, no manager who participated in the research has been named within this study and participants are identified within the research only as Participant 1, Participant 2 etc. The source of quotes used in Chapter Four have not been referenced for the same reason.
- **Ensuring that the participant felt in control:** this was done by ensuring that the participant determined the time and place of the interview, and providing the option for the cassette recorder to be switched off. In addition, it was made clear to participants that they were not obliged to answer any question that made them feel uncomfortable. At the time of the request for an interview, it was stated that the interview should last for no more than 45 minutes – unless during the interview, the participant expressed a willingness to continue beyond 45 minutes, the interview was terminated at that point.
- **Maintaining objectivity:** the interview questions were posed in a neutral tone of voice as far as possible in order to avoid bias, and all key points raised by the participants have been recorded in the findings.

### 3.6 Summary

The research methodology combines both positivistic and phenomenological approaches to consider the two parts of the research question. The quantitative analysis of BVPIs establishes the extent of improvement in customer-focused results since the introduction of the Corporate Performance Management Framework (CPMF) whilst the qualitative analysis through interviews with Service Managers attempts to evaluate the impact of the CPMF on BVPI performance.

The quantitative analysis goes beyond that of the Audit Commission inspection discussed in Section 1.5 by adapting the taxonomy of performance indicators used by Hyndman and Anderson in 1997 to identify improvement in ‘results’ whilst the qualitative analysis is

designed to establish not only the impact of the CPMF on performance but also other issues which impact upon performance.

A number of steps were taken during the research design to ensure the quality of data including: cross-checking the Audit Commission quantitative data with that of the City Council and minimising subjectivity as far as possible through a 'three-way' categorisation of BVPIs according to 'input', 'output' and 'result' – the interviews were then used to triangulate the results with Service Managers. Ethical issues regarding the collection of qualitative data were taken into account and all research participants were assured of anonymity. The issue of generalisability was considered and the adjusted minimum sample size was calculated for each of the key findings according to a Confidence Level of 90% and a Margin of Error within plus or minus 5%. The results of the research are presented in Chapter Four.

## **4 Research Findings**

### **4.1 Introduction**

This chapter presents the findings of the research undertaken to address the research question based on the methodology detailed in Chapter 3. The conclusions drawn from the findings within the context of the literature are discussed in Chapter 5.

### **4.2 Research Question: Part One**

The first part of the research question is to consider whether the performance measures within the LCC Corporate Performance Management Framework (CPMF) demonstrate improvement over time since introduction of the CPMF, with specific concern for those performance indicators which can be interpreted as measuring ‘customer impact’ (ie ‘results-based’ measures). The findings in Section 4.2 and Section 4.3 relate to that part of the research question.

#### **4.2.1 The Sampling Frame and Sample Size**

The total number of Best Value Performance Indicators (BVPIs) that had been incorporated into the City Council’s Corporate Performance Management Framework during the three-year period 2001/02 – 2003/04 was 194 BVPIs. These 194 BVPIs represent the sampling frame.

Of these 194 BVPIs, 116 (i.e. 60%) could not be included in the sample as consistent data was not available for the whole of the three-year period, either because:

- Definitions of the BVPI had been amended
- Method of calculating the annual outturn had been amended
- Annual outturn data was not available for each of the three years
- BVPI did not appear consistently throughout the three-year period.

The sample size upon which data analysis could proceed was therefore 78 BVPIs (i.e. 40% of the sampling frame). The adjusted minimum sample size for each of the key findings was calculated based on a Confidence Level of 90% and a Margin of Error within plus or minus 5%. In all cases, the sample of BVPIs upon which the analysis was based was not of sufficient size to make inferences about the sampling frame (for example, Figure 4.1 shows

the percentage of BVPIs within the sample where performance has improved. The adjusted minimum sample size required to make inferences about the percentage of the entire population that have improved is 110 based on 90% confidence level and margin of error within plus or minus 5%. The sample size is 78 and therefore is 32 less than the minimum required).

**4.2.2 Taxonomy of BVPIs: Input or Output or Result (i.e. Outcome)**

In order to reduce subjectivity, each of the BVPIs in the sample was independently categorised by two Liverpool City Council officers in addition to the author, according to the definitions and examples provided for ‘input’, ‘output’ or ‘result’. In the case of 50 BVPIs (i.e. 64% of the sample), a ‘three-way match’ was achieved i.e. all three officers were in agreement as to the category of the BVPI. In the case of the remaining 28 BVPIs (i.e. 36%), a ‘three-way match’ was not achieved and the BVPI was categorised based on the agreement of two out of three officers. The interviews were then used to triangulate the categorisation of BVPIs with the relevant Service Manager.

**4.2.3 Findings Based on Initial Taxonomy of BVPI Data**

The results of the initial categorisation of the BVPI sample are shown in Table 4.1. The table identifies:

- Column A: Best Value Performance Indicator Reference Number (a statutory reference number assigned by the Audit Commission)
- Column B: Description of the Performance Indicator (this is a brief description only – detailed descriptions and methods of calculating the indicator are issued annually in a handbook distributed to local authorities by the Audit Commission)
- Column C: Liverpool City Council Portfolio (or Directorate) responsible for delivering and monitoring the BVPI
- Column D–F: Annual Outturn Data for 2001/02 to 2003/04. These are the final audited outturn figures declared by Liverpool City Council to the Audit Commission.
- Column G: Classification of the Performance Indicator based on improvement between 2001/02 and 2003/04: ‘improved’ = 1 (green colour code) and ‘static/failing’ = 0 (red colour code)
- Column H: Taxonomy of BVPI according to: ‘input’ = I (orange colour code), ‘output’ = O (yellow colour code), ‘result’ (or ‘outcome’) = R (purple colour code).

TABLE 4.1: TAXONOMY OF BEST VALUE PERFORMANCE INDICATORS

A	B	C	D	E	F	G	H
BVPI Reference	Description of Performance Indicator	Portfolio (i.e. Directorate within Liverpool City Council)	Outturn 01/02	Outturn 02/03	Outturn 03/04	Improving = 1 Statis/Ealing = 0	Input = 1 Output = 0 Result = R
BV1	Existence of Community Strategy	Regeneration	Yes	Yes	Yes	0	I
BV10	% of National Non-Domestic Rates collected	LDL	91.8%	98.4%	99.0%	1	O
BV100	No. of days traffic controls in place	Regeneration	0.3	0.3	1	0	O
BV106	% of new homes built on brownfield sites	Regeneration	90%	87.4%	97.50%	1	R
BV107	Planning cost per head of population	Regeneration	£6.62	£7.04	£7.45	0	I
BV11	% of top earners within the authority that are women	LDL	25.0%	38.6%	40.0%	1	R
BV117	No. of visits to libraries	Education, Library & Sports Services	4875	5600	7494	1	O
BV12	No. days sick per member of staff	LDL	12.67	10	14.48	0	I
BV126a	No. of burglaries per 1000 households	Supported Living & Community Safety	37.5	37.7	26.5	1	R
BV128a	No. of vehicle crimes per 1000 population	Supported Living & Community Safety	31.1	30.9	27.1	1	R
BV14	% of early retirements/staff	LDL	0.48%	0.60%	0.40%	1	O
BV15	% of ill health retirements/staff	LDL	0.82%	0.40%	0.40%	1	O
BV156	% of local authority-owned buildings w/facilities for disabled people	Central Services	21%	40%	60%	1	R
BV157	Types of interaction delivered electronically	Central Services	38.0%	55.0%	72.0%	1	O
BV161	Care leavers in education/training/employment	Supported Living & Community Safety	53%	60%	53.90%	1	R
BV162	% reviews of child protection cases completed on time (PAFC20)	Supported Living & Community Safety	98%	100%	100%	1	O
BV163	% Adoptions of looked after children (PAFC23)	Supported Living & Community Safety	3.50%	6.90%	6.90%	1	R
BV164	Compliance with Commission for Racial Equality code of practice in housing	Regeneration	No	Yes	Yes	1	I
BV165	% pedestrian crossings with disabled facilities	Regeneration	63%	73%	25%	0	O
BV166a	Environmental Health: compliance with code of practice	Regeneration	99%	100%	100%	1	I
BV166b	Trading Standards: compliance with code of practice	Regeneration	99%	100%	100%	1	I
BV16a	Staff with disabilities	Central Services	3.20%	3.20%	7%	1	R
BV16b	Working age (18-65) people with disabilities	Central Services	2.50%	22.80%	22.80%	1	R
BV174	No. of racial incidents recorded by authority	Supported Living & Community Safety	20	41.9	86.1	1	O
BV175	% racial incidents reported within the authority which resulted in further action	Supported Living & Community Safety	100%	100%	100%	0	R
BV176	No. of refuge places available for victims of domestic violence	Supported Living & Community Safety	0.6	0.6	1.54	1	R
BV178	% of footpaths that are classed as easy to use	Regeneration	40%	65%	92%	1	R
BV179	Standard searches completed in 10 working days	Resources	74%	99%	91.30%	1	O
BV17a	% staff employed by the authority from ethnic minorities	Central Services	5.20%	5.20%	7.06%	0	R
BV17b	Working age (18-65) people from ethnic minorities	Central Services	3.80%	5.70%	5.70%	1	R



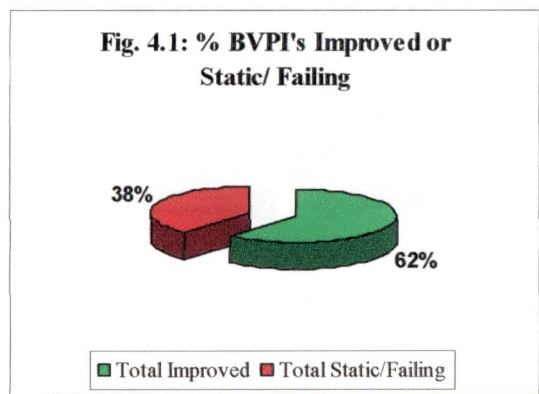
BVP1 Reference	Description of Performance Indicator	Portfolio (i.e. Directorate within Liverpool City Council)	Outturn 01.02	Outturn 02.03	Outturn 03.04	Improving - 1 Static/Falling = 0	Input - 1 Output - 0 Result = R
BV181a	Pupils achieving level 5 or above in KS3: English	Education, Library & Sports Services	62.50%	63.7%	63.80%	1	R
BV181b	Pupils achieving level 5 or above in KS3: Mathematics	Education, Library & Sports Services	56.40%	57%	61.90%	1	R
BV181c	Pupils achieving level 5 or above in KS3: Science	Education, Library & Sports Services	55.80%	56%	58.80%	1	R
BV181d	Pupils achieving level 5 or above in KS3: ICT	Education, Library & Sports Services	52.00%	55%	58.30%	1	R
BV188	Decisions delegated to officers	Regeneration	74%	66%	90%	1	O
BV2a	Level of equality standard to which the LA conforms	Central Services	1	2	2	1	I
BV3	% of citizens satisfied with overall service	Resources	61%	N/A	56.10%	0	R
BV33	Average expenditure on youth services per no. of young people aged 13-19yrs	Education, Library & Sports Services	£122.23	£144.52	£134.86	1	I
BV34a	Primary schools 25% + surplus places	Education, Library & Sports Services	16%	17%	13.80%	1	O
BV34b	Secondary schools 25% + surplus places	Education, Library & Sports Services	12.10%	6.30%	12.50%	0	O
BV38	Pupils 5 or more GCSEs, A*-C	Education, Library & Sports Services	36%	41%	42.10%	1	R
BV39	Pupils 1+ GCSEs, A*-G	Education, Library & Sports Services	93%	84%	86.70%	0	R
BV4	% of complainants satisfied with the handling of their complaints	Resources	34%	N/A	24.80%	0	R
BV40	Pupils level 4+ KS2 Maths	Education, Library & Sports Services	64%	70%	67.50%	1	R
BV41	Pupils level 4+ KS2 English	Education, Library & Sports Services	70%	70%	70.60%	1	R
BV43a	No. of SEN statements drafted within 18 weeks without exceptions	Education, Library & Sports Services	45%	96%	98.50%	1	O
BV43b	No. of SEN statements drafted within 18 weeks with exceptions	Education, Library & Sports Services	10%	59%	92%	1	O
BV44	No. of all maintained school exclusions	Education, Library & Sports Services	1.5	1.4	1.5	0	O
BV48	Schools subject to special measures	Education, Library & Sports Services	0.90%	0%	0%	1	O
BV49	Children with 3+ placements (PAFA1)	Supported Living & Community Safety	13%	11%	10.80%	1	R
BV50	Care leavers with 1 or more A*-G GCSEs (PAFA2)	Supported Living & Community Safety	33%	44%	43.90%	1	R
BV51	Cost children looked after (PAFB8)	Supported Living & Community Safety	£549	£517.27	£579	0	I
BV52	Cost intensive care for adults (PAFB12)	Supported Living & Community Safety	£374	£363	£447	0	I
BV53	No. households receiving Intensive home care per 1000 population aged 65 or over	Supported Living & Community Safety	21.1	20.1	17	0	O
BV54	Older people helped to live at home (PAFC32)	Supported Living & Community Safety	148	118	130	0	R
BV58	% people receiving care who receive a Needs Statement with provision identified	Supported Living & Community Safety	78%	82%	89%	1	O
BV62	Private unfit dwellings made fit/demolished	Regeneration	4.60%	4.50%	4.70%	1	O
BV63	Avg SAP rating of LA owned dwellings	Regeneration	44	50	51	1	R
BV66a	% rent collected as proportion of rent due	Regeneration	90.30%	93.30%	92.30%	1	O
BV74a	Tenant satisfaction - overall service	Regeneration	52%	N/A	53.80%	1	R
BV78a	Avg time new claims	LDL	133	121.1	136	0	O



BVP1 Reference	Description of Performance Indicator	Portfolio (i.e. Directorate within Liverpool City Council)	Outturn 01.02	Outturn 02.03	Outturn 03.04	Improving = 1 Static/Falling = 0	Input - 1 Result - R	Output - O
BV78b	Avg time change in circumstances	LDL	21	28.4	23.64	0		O
BV78c	Renewal claims on time	LDL	61%	60%	55.30%	1		R
BV79a	Cases processed correctly	LDL	96%	96.4%	95.50%	0		R
BV79b	Recovery of overpaid benefit	LDL	48%	40.7%	43.90%	0		O
BV8	Invoices paid on time	Resources	78.0%	81.1%	90.0%	1		R
BV82a	Recycling	Regeneration	2%	1.9%	3.80%	1		R
BV84	Household waste collected	Regeneration	412	434	437	0		O
BV86	Cost of waste collection	Regeneration	£37.93	£40.36	£41.00	0		I
BV9	Council tax collected	LDL	95.1%	96.0%	96.5%	1		O
BV96	Condition principal roads	Regeneration	10.30%	0.7%	4.50%	0		R
BV97a	Condition classified non-principal roads	Regeneration	2.80%	8.00%	17.90%	0		R
BV97b	Condition unclassified non-principal roads	Regeneration	3.10%	11%	12.50%	0		R
BV99a	Road accidents pedest	Regeneration	30	28	36	0		R
BV99b	Pedal cyclists	Regeneration	4	3	5	0		R
BV99c	2 wheeled motor vehicles	Regeneration	8	7	9	0		R
BV99d	Car users	Regeneration	20	23	33	0		R
BV99e	Other vehicle users	Regeneration	3	5	5	0		R

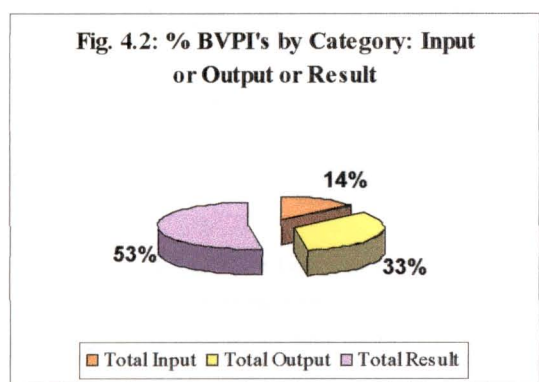
Key findings from Table 4.1 related to the first part of the research question and are highlighted in Figures 4.1 to 4.5.

**Figure 4.1: % BVPIs Improved or Static/Failing**



The chart highlights that 62% (i.e. 48) of BVPIs within the sample demonstrated improved performance at the end of 2003/04 on the baseline position of 2001/02. Performance for 38% (i.e. 30) of the BVPIs did not improve i.e. either remained static or deteriorated.

**Figure 4.2: % BVPIs by Category: Input or Output or Result**



Based on the taxonomy of BVPIs according to the definitions of 'input', 'output' or 'result', it can be seen from Fig. 4.2 that 53% of the sample (i.e. 41 BVPIs) are categorised as 'results' (i.e. outcome-based) BVPIs, 33% (i.e. 26 BVPIs) are categorised as 'outputs' and 14% (i.e. 11 BVPIs) as 'inputs'.

**Figure 4.3: No. of BVPIs Improved or Static/Failing by Category of Input or Output or Result**

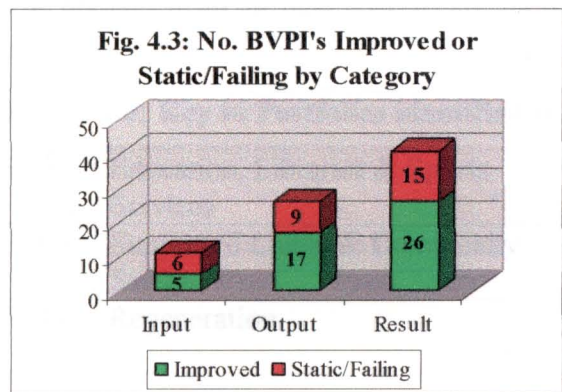
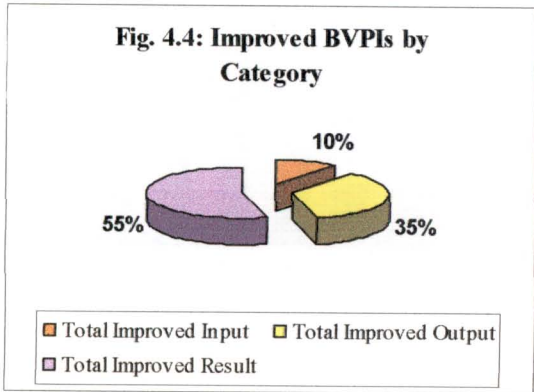


Fig. 4.3 shows that: of the 41 BVPIs that were categorised as 'results' (or 'outcome'-based), 26 are improving and 15 are static or failing; of the 26 'output' BVPIs, 17 are improving and 9 are static or failing; of the 11 'input' BVPIs, 5 are improving and 6 are static or failing.

Figures 4.4 and 4.5 present a breakdown of the data shown in Figure 4.3 in percentage terms (*N.B. Percentages are rounded to the nearest whole figure*):

**Figure 4.4: Improved BVPIs by Category of Input or Output or Result**



The chart identifies only those BVPIs that have improved. It can be seen that 55% (i.e. 26) of all improved BVPIs in the sample (i.e. 48 BVPIs in Fig. 4.1) are ‘result’-based BVPIs; 35% (i.e. 17) are outputs; and 10% (i.e. 5 BVPIs) are inputs.

**Figure 4.5: Static and Failing BVPIs by Category of Input or Output or Result**

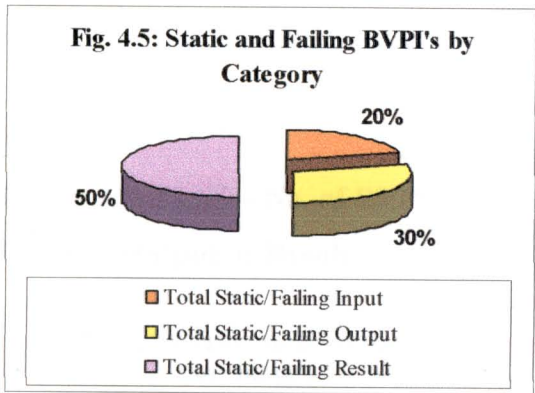


Fig. 4.5 shows only those BVPIs that are static or failing. It can be seen that 50% (i.e. 15 out of 30 BVPIs) are ‘result’-based BVPIs; 30% (i.e. 9 out of 30 BVPIs) are outputs; and 20% (i.e. 6 out of 30 BVPIs are inputs).

Additional analysis of the BVPI data was undertaken to identify potential issues related to individual Portfolios within the City Council. The key to Portfolios is shown in Figure 4.6. The findings from the data analysis are shown in Figures 4.7 to 4.13.

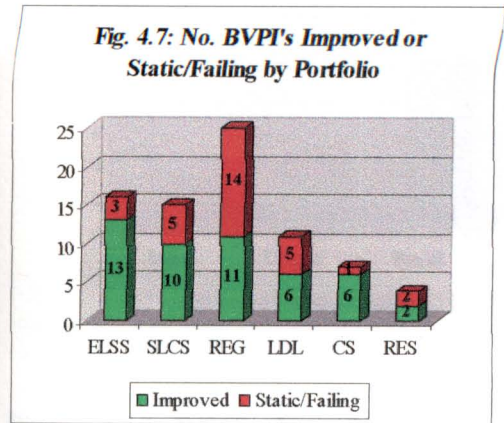
Figure 4.6: Key to Portfolios identified in Figures 4.7 to 4.13			
ELSS	Education, Libraries & Sports Services	LDL	Liverpool Direct Ltd
SLCS	Supported Living & Community Safety	CS	Central Services
REG	Regeneration	RES	Resources



**Figure 4.7: No. of BVPIs that are Improved or Static/Failing by Portfolio**

Fig. 4.7 identifies the number of BVPIs within the sample that fall within the responsibility of each of the Council’s Portfolios. The BVPIs are identified according to whether they

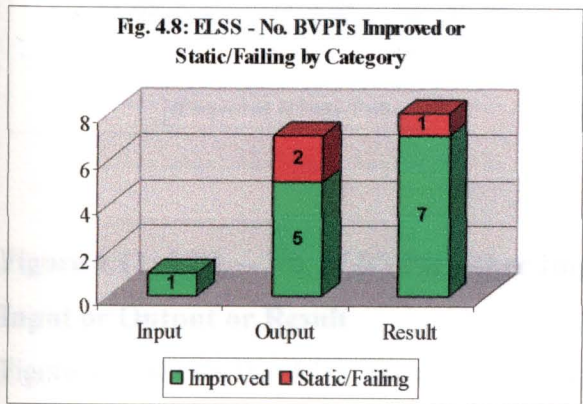
demonstrate improvement in performance since 2001/02 or are static or failing. It can be seen that the Regeneration Portfolio has responsibility for more BVPIs in the sample than any other Portfolio (i.e.25 BVPIs) and that the Resources Portfolio has responsibility for the least number (i.e. 4 BVPIs). The Regeneration Portfolio also has the highest proportion of static and failing BVPIs within its remit i.e. 14 out of 25 BVPIs



equating to 56%. The proportion of static and failing BVPIs within the other Portfolios is as follows: ELSS 19%; SLCS 33%; LDL 45%; CS 14%; RES 50%.

A breakdown of improving or static/failing BVPIs for each Portfolio by category is provided in Figures 4.8 to 4.13.

**Figure 4.8: ELSS – No. of BVPIs either Improved or Static/Failing by Category of Input or Output or Result**



It can be seen from the chart that 50% of the ELSS Portfolio BVPIs are ‘result-based’ BVPIs i.e. 8 out of a total of 16 BVPIs, and that of these, 7 are improving and 1 is static or failing. 7 BVPIs are output indicators and 5 of these are improving. Only 1 BVPI is an input indicator and that is also improving.

**Figure 4.9: SLCS – No. of BVPIs either Improved or Static/Failing by Category of Input or Output or Result**

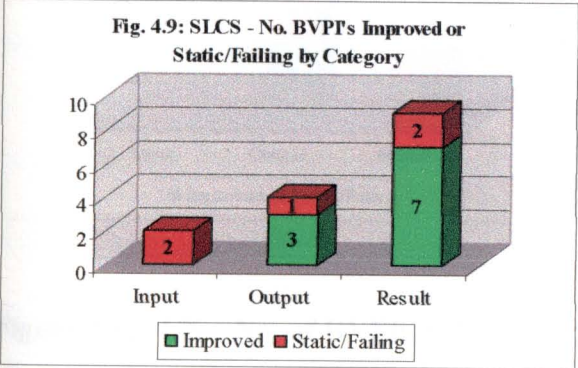
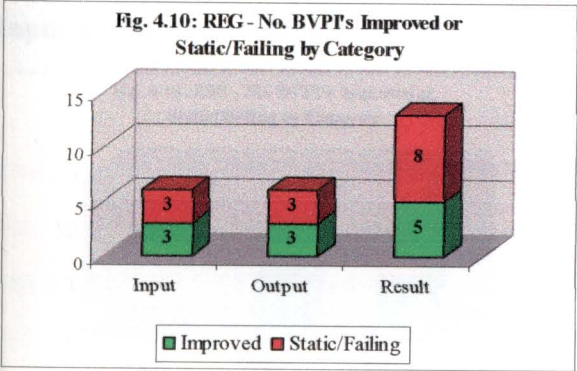


Fig. 4.9 shows that 60% of BVPIs (i.e. 7 out of 15) within SLCS remit are improving result-based indicators whilst 2 result-based indicators are static or failing. 3 out of the 4 output BVPIs are improving whilst 2 input BVPIs are static or failing.

**Figure 4.10: REG – No. of BVPIs either Improved or Static/Failing by Category of Input or Output or Result**

The Regeneration Portfolio has responsibility for 25 of the BVPIs within the sample. It can be seen from Fig. 4.10 that of those 25, 8 BVPIs (i.e. 32%) are static or failing result-based indicators whilst the other 5 result-based indicators are improving (i.e. 20%). The Portfolio



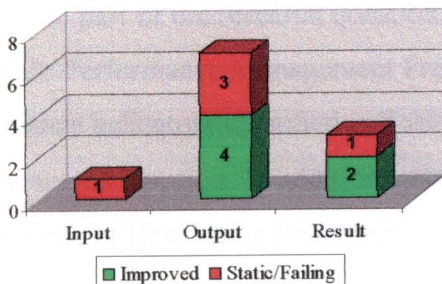
has a high proportion of input indicators compared with the other Portfolios (i.e. 6 BVPIs out of a total of 11 in the sample). There are an equal number of input and output indicators – 50% of each are improving whilst 50% are static or failing.

**Figure 4.11: LDL – No. of BVPIs either Improved or Static/Failing by Category of Input or Output or Result**

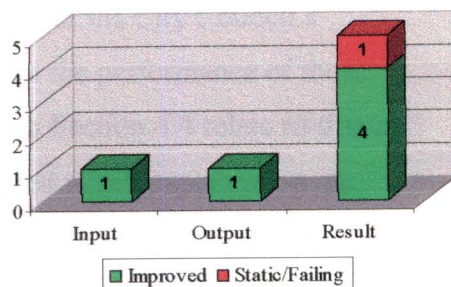
Figure 4.11 shows that LDL has responsibility for 11 BVPIs, the majority of which (7 BVPIs or 64%) are output indicators. Of these 7 output indicators, 4 are improving and 3 are static or failing. The Portfolio has only a small proportion of result-based indicators compared with the sample i.e. 3 BVPIs out of a total of 41 within the sample ( 7%). 1 BVPI is an input indicator and this is static or failing.



**Fig. 4.11: LDL- No. BVPI's Improved or Static/Failing by Category**



**Fig. 4.12: CS - No. BVPI's Improved or Static/Failing by Category**

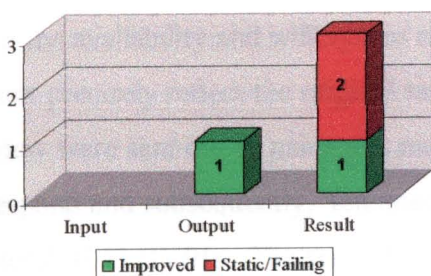


### Figure 4.12: CS – No. of BVPIs either Improved or Static/Failing by Category of Input or Output or Result

Fig. 4.12 highlights that the Central Services Portfolio has second to fewest of the BVPIs with a total of 7 falling within its remit. Of these 7, the majority are result-based indicators with only one each of output and input indicators. Only 1 result-based indicator is static or failing. All other BVPIs are improving.

### Figure 4.13: RES – No. of BVPIs either Improved or Static/Failing by Category of Input or Output or Result

**Fig. 4.13: RES - No. BVPI's Improved or Static/Failing by Category**



As can be seen in Fig 4.13, the Resources Portfolio has the least number of BVPIs within its remit (4 in total). 3 of these are results-based indicators and 1 is an output indicator. There are no input indicators within the Portfolio. 2 out of the 3 result-based indicators are static or failing.

**4.3    Research Question: Part Two**

*The second part of the research question considers the impact of the City Council’s Corporate Performance Management Framework (CPMF) on the performance of those performance indicators identified in Table 4.1. The findings in Section 4.4 relate to that part of the research question. In addition, other issues are identified which impact upon the performance of Best Value Performance Indicators (BVPIs).*

**4.3.1    The Sample Size**

Research related to the second part of the research question was based on a series of interviews conducted with the senior managers responsible for those Best Value Performance Indicators (BVPIs) identified in the original sample of 78 BVPIs. The interviews were designed to collect qualitative data in order to evaluate the impact of the CPMF. As it was not possible to interview the service managers for all 78 BVPIs, a sample was selected for the second part of the research question. The sample selection was intended to be representative of the 78 BVPIs identified in Table 4.1 i.e. to comprise the same proportion of improved and static/failing BVPIs, and according to the appropriate proportion of ‘input’, ‘output’ and ‘results-based’ BVPIs. At the same time, it was intended to include at least one BVPI from each Portfolio of the Council.

Due to the availability and willingness of managers to be interviewed, the second sample does not precisely reflect the original sample of 78 BVPIs. In total, 12 requests for interview were sent out to managers responsible for 51 BVPIs in total. Two managers did not respond and subsequently, ten interviews were conducted with managers responsible for a total of 43 BVPIs. The second sample size therefore, was 43. It was not possible to conduct an interview with any manager from one of the City Council’s six Portfolios i.e. Resources, therefore the Resources Portfolio is not represented in the second part of the research. However, as the Resources Portfolio is only responsible for 4 of the BVPIs within the sample of 78, the omission is not considered to be significant. All other Portfolios are represented. The percentage of BVPIs according to improved or static/failing and according to ‘input’, ‘output’ and ‘result’ categories for each of the 43 BVPIs in the second sample is shown in Table 4.2.

Table 4.2: Proportion of BVPIs within the second sample according to category			
Improved	53%	Input	9%
Static or Failing	47%	Output	18%
		Results	73%

### 4.3.2 Qualitative Data Collection through Interviews

The interviews were semi-structured and based on eight questions (Appendix 8). The questions were designed not only to assess the impact of the CPMF on the performance of BVPIs, but also to identify other key issues that may be relevant to performance. The key findings are presented in tabular form in Table 4.3. Columns A-C in the Table identify the BVPI reference number and categorisations according to improved or static/failing and ‘input’ or ‘output’ or ‘result’ to correspond with Table 4.1 (to ensure consistency, the same colour coding is used as for Table 4.1). Columns D to L correspond with the interview questions as follows:

- Column D (Question 1): Identifies whether the Service Manager believes the BVPI to be an appropriate measure of performance. The results are shown as either ‘Y’ (i.e. yes, it is an appropriate measure) or ‘N’ (i.e. no, it is not an appropriate measure).
- Column E (Question 2): Identifies whether the BVPI is delivered solely by the service area (‘S’) or jointly with other partners (‘J’).
- Column F (Question 3): Represents the process used in setting targets. There are three distinct key drivers within Liverpool City Council that determine how a target is set for each BVPI. These are either:
  - National (‘N’) where the target is imposed by Central Government in accordance with national priorities and the target is the same for all local authorities;
  - Local (‘L’) where local authorities are allowed to set their own target based on local factors and Service Managers determine the target;
  - Top Quartile (‘TQ’) where the target is set locally (i.e. not imposed by Central Government) but Service Managers do not determine the target – rather it is driven by the Executive Management Team’s imperative to achieve Top Quartile performance.



- Columns G-H (Question 4): Identify key factors, both internal and external, that have an impact on the performance of the BVPI. The findings are discussed in more detail within the narrative.
- Column I (Question 5): Shows whether the BVPI is 'resource sensitive' ('Y' = yes or 'N' = no) i.e. whether increased or decreased resources will lead automatically to a corresponding improvement or deterioration in performance.
- Column J (Question 6): Represents the findings related to Part Two of the Research Question i.e. whether the CPMF has had an impact on performance ('Y' = yes or 'N' = no).
- Column K (Question 7): Summarises other benefits and disbenefits of the CPMF. The findings are discussed in more detail within the narrative.
- Column L (Question 8): Identifies other performance management initiatives that are in place related to that BVPI other than the City Council's CPMF.

Key findings from the collection of qualitative data is presented in Figures 4.14 to 4.18 according to the sequence of interview questions. Further narrative is provided according to the issues that emerged during the interviews.

TABLE 4.3: SUMMARY OF INTERVIEW RESULTS

A	B	C	D	E	F	G	H	I	J	K	L
BVPI Reference	Improving = 1, Static/ Failing = 0	Input = I Output = O Result = R	Q1: Appropriate Measure (Y or N)	Q2: Sole or Joint Delivery (S or J)	Q3: Target Local (L), National (N) or Top Quartile (TQ)	Q4: Key Factors (Internal)	Q4b: Key Factors (External)	Q5: Resource Sensitive? (Y or N)	Q6: CPMF Impact on BVPIs (Y or N)	Q7: CPMF other benefits/ barriers	Q8: Other PM arrangements
BV100	0	O	N	J	L	Other Reg initiatives eg CCMS	Utility works etc, performance of partner	N	N	Consistency of approach	Performance Forum, P/Gs, E-L Liaison Group
BV126a	1	R	Y	J	N	Financial resource	Priority for Merseyside Police & other agencies	Y	N	Driver for LCC elements of PI	Crime & Disorder Reduction Strategy & Citysafe DP
BV128a	1	R	Y	J	N	Financial resource	Priority for Merseyside Police & other agencies	Y	N	Driver for LCC elements of PI	Crime & Disorder Reduction Strategy & Citysafe DP
BV164	1	I	N	J	TQ	Resource to monitor and maintain checklist	Understanding of partners	Y	N	Could be useful if other LCC services used dbase	Reliance on Regen performance team
BV165	0	O	N	S	L	Financial resource	Performance of partner	Y	N	Consistency of approach	Performance Forum, P/Gs, E-L Liaison Group
BV16a	1	R	Y	J	TQ	Co-operation of other LCC services, top level support	Legislation, cultural shift, education	N	Y	Excellent management tool, accountability, info, focus	None for this BVPI
BV16b	1	R	Y	J	TQ	Co-operation of other LCC services, top level support	Legislation, cultural shift, education	N	Y	Excellent management tool, accountability, info, focus	None for this BVPI
BV174	1	O	Y	S	L	Cooperation of other LCC services	None - internal process	Y	Y	Accountability	Crime & Disorder Reduction Strategy
BV175	0	R	Y	S	L	Cooperation of other LCC services	None - internal process	Y	Y	Accountability	Crime & Disorder Reduction Strategy
BV176	1	R	Y	J	N	Financial resource	Priority for Merseyside Police & other agencies	Y	N	Driver for LCC elements of PI	Crime & Disorder Reduction Strategy & Citysafe DP
BV178	1	R	Y	S	L	Financial resource	User behaviour eg vandalism	Y	N	Consistency of approach	Performance Forum, P/Gs, user satisfaction
BV17a	0	R	Y	J	TQ	Co-operation of other LCC services, top level support	Legislation, cultural shift, education	N	Y	Excellent management tool, accountability, info, focus	None for this BVPI
BV17b	1	R	Y	J	TQ	Co-operation of other LCC services, top level support	Legislation, cultural shift, education	N	Y	Excellent management tool, accountability, info, focus	None for this BVPI
BV181a	1	R	N	J	N	Quality of senior mrgs & support of EMT	pupil cohorts, pupil mobility, parental attitudes	Y	N	provides consistency but labour intensive, inflexible	EDP & EDP Service Plans
BV181b	1	R	N	J	N	Quality of senior mrgs & support of EMT	pupil cohorts, pupil mobility, parental attitudes	Y	N	provides consistency but labour intensive, inflexible	EDP & EDP Service Plans

BVPI Reference	Improving = 1, Stable/ Falling = 0	Input = I Output = O Result = R	Q1: Appropriate Measure (Y or N)	Q2: Sole or Joint Delivery (S or J)	Q3: Target Local (L), National (N) or Trans-Quarterly	Q4: Key Factors (Internal)	Q4: Key Factors (External)	Q5: Resource Sensitive? (Y or N)	Q6: CPMF Impact on BVPI's (Y or N)	Q7: CPMF other benefits/ barriers	Q8: Other PM arrangements
BV181c	1	R	N	J	N	Quality of senior mgrs & support of EMT	pupil cohorts, pupil mobility, parental attitudes	Y	N	provides consistency but labour intensive, inflexible	EDP & EDP Service Plans
BV181d	1	R	N	J	N	Quality of senior mgrs & support of EMT	pupil cohorts, pupil mobility, parental attitudes	Y	N	provides consistency but labour intensive, inflexible	EDP & EDP Service Plans
BV2a	1	I	Y	J	TQ	Co-operation of other LCC services, top level support	Legislation, cultural shift, education	N	Y	Excellent management tool, accountability, info, focus	None for this BVPI
BV3	0	R	Y	J	L	Performanc of other LCC services, consultation	Political environment - limitless	Y	Y	Accountability, mainstreaming issues, investment	
BV33	1	I	N	J	L	CEC's, NJC T&C, strategic location of service, grants	Youth Service Green Paper	Y	N	Rigour & discipline	Misde Quality standard, 22 new govt standards, voluntary group action planning, area cities
BV38	1	R	N	J	N	Quality of senior mgrs & support of EMT	pupil cohorts, pupil mobility, parental attitudes	Y	N	provides consistency but labour intensive, inflexible	EDP & EDP Service Plans
BV39	0	R	N	J	N	Quality of senior mgrs & support of EMT	pupil cohorts, pupil mobility, parental attitudes	Y	N	provides consistency but labour intensive, inflexible	EDP & EDP Service Plans
BV4	0	R	Y	J	L	Have Your Say process & consistency	Political environment - limitless	Y	Y	Accountability, mainstreaming issues, investment	
BV40	1	R	N	J	N	Quality of senior mgrs & support of EMT	pupil cohorts, pupil mobility, parental attitudes	Y	N	provides consistency but labour intensive, inflexible	EDP & EDP Service Plans
BV41	1	R	N	J	N	Quality of senior mgrs & support of EMT	pupil cohorts, pupil mobility, parental attitudes	Y	N	provides consistency but labour intensive, inflexible	EDP & EDP Service Plans
BV48	1	O	N	J	N	Quality of senior mgrs & support of EMT	pupil cohorts, pupil mobility, parental attitudes	Y	N	provides consistency but labour intensive, inflexible	EDP & EDP Service Plans
BV66a	1	O	N	J	TQ	Systems, Housing Benefits team, historic arrears from 1980's	Economic climate	N	N	Housing Benefits performance, negative fear factor	None for this BVPI
BV74a	1	R	N	J	TQ	communication with customers, performance of R&M & other LCC services	Economic climate, customer expectations, host of other factors	Y	N	Consistency of reporting, focus on corporate priorities, benchmarking, accountability & transparency	Housing P/G
BV78a	0	O	N	J	TQ	Productivity of staff, other LCC Services	Economic climate	Y	N	Communication tool for EMT/Members but used as stick	Own PMF inc Service Plan, Work Throughput Plan, Resource Plan
BV78b	0	O	N	J	TQ	Productivity of staff, other LCC Services	Economic climate	Y	N	Communication tool for EMT/Members but used as stick	Own PMF inc Service Plan, Work Throughput Plan, Resource Plan
BV78c	1	R	N	J	TQ	Productivity of staff, other LCC Services	Economic climate	Y	N	Communication tool for EMT/Members but used as stick	Own PMF inc Service Plan, Work Throughput Plan, Resource Plan



BVPI Reference	Improving = 1, Static/Falling = 0	Input = I, Output = O, Result = R	Q1: Appropriate Measure (Y or N)	Q2: Sole or Joint Delivery (S or J)	Q3: Target Local (L), National (N) or Top-Quartile	Q4: Key Factors (Internal)	Q4b: Key Factors (External)	Q5: Resource Sensitive? (Y or N)	Q6: CPMF Impact on BVPI's (Y or N)	Q7: CPMF other benefits/barriers	Q8: Other PM arrangements
BV79a	0	R	N	J	TQ	Productivity of staff, other LCC Services	Economic climate	Y	N	Communication tool for EMT/Members but used as stick	Own PMF iac Service Plan, Work Throughput Plan, Resource Plan
BV82a	1	R	Y	J	N	CLtr support	Partner CSF's	Y	N	EMT involvement but too focused on PI's	Performance Improvement Group, Core Cities Benchmarking Group
BV84	0	O	Y	J	L	CLtr support	Partner CSF's, contract payment mechanism	Y	N	EMT involvement but too focused on PI's	Performance Improvement Group, Core Cities Benchmarking Group
BV86	0	I	N	J	L	LDL costs, CLtr support, impact of BV82 costs	Partner CSF's	Y	N	EMT involvement but too focused on PI's	Performance Improvement Group, Core Cities Benchmarking Group
BV96	0	R	N	J	TQ	Capital programme(budget approval & expenditure)	Performance of partner	Y	N	Consistency of approach	Performance Forum, PI/Gs
BV97a	0	R	N	J	TQ	Capital programme(budget approval & expenditure)	Performance of partner	Y	N	Consistency of approach	Performance Forum, PI/Gs
BV97b	0	R	N	J	TQ	Capital programme(budget approval & expenditure)	Performance of partner	Y	N	Consistency of approach	Performance Forum, PI/Gs
BV99a	0	R	N	J	N	Engineering, education & enforcement	Multiple factors: human error, weather, alcohol etc	N	N	Ownership & priority, governance, fear factor, tv analogy	PI/G, Performance Forum
BV99b	0	R	N	J	N	Engineering, education & enforcement	Multiple factors: human error, weather, alcohol etc	N	N	Ownership & priority, governance, fear factor, tv analogy	PI/G, Performance Forum
BV99c	0	R	N	J	N	Engineering, education & enforcement	Multiple factors: human error, weather, alcohol etc	N	N	Ownership & priority, governance, fear factor, tv analogy	PI/G, Performance Forum
BV99d	0	R	N	J	N	Engineering, education & enforcement	Multiple factors: human error, weather, alcohol etc	N	N	Ownership & priority, governance, fear factor, tv analogy	PI/G, Performance Forum
BV99e	0	R	N	J	N	Engineering, education & enforcement	Multiple factors: human error, weather, alcohol etc	N	N	Ownership & priority, governance, fear factor, tv analogy	PI/G, Performance Forum

4.3.3 Key Findings from the Interviews

Question 1: Are the BVPIs an appropriate measure of performance in the relevant service area (i.e. do they contribute to overall objectives and vision of the City Council)?

Figure 4.14: % of BVPIs that either are or are not considered to be appropriate measures of performance

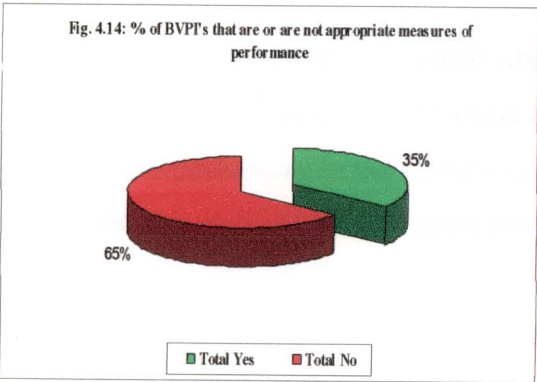


Figure 4.14 shows that 65% of the BVPIs within the sample (i.e. 28 BVPIs) were not considered by managers to be an appropriate measure of performance. 35% (i.e. 15 BVPIs) were considered to be appropriate. In cases where the BVPI was not considered to be appropriate, a variety of reasons were cited:

- **Service area has minimum control over the outcome** e.g. in the case of road traffic accidents, the greatest impact on results is delivered through police enforcement actions (evidenced in research undertaken by the Transport Research Laboratory), not through the casualty reduction initiatives undertaken by the local authority (e.g. traffic-calming schemes). In addition, road user behaviour is erratic and unpredictable, as one interviewee stated  
*‘we can’t stop a driver driving recklessly, or prevent a drunk pedestrian from stepping out in front of a car’*. In the case of Education, *‘the service is not in control of the outputs and outcomes’*.
- **BVPI is based on a customer satisfaction survey** therefore the result (it was argued by one manager) is determined by perception not reality. Moreover, questions posed in a survey can be subject to misinterpretation, an example was cited by one manager where a respondent to a satisfaction survey regarding the quality of repairs completed in a council house stated that no repairs had taken place – the respondent had in fact received replacement windows but did not regard the work as a ‘repair’.

The same interviewee also highlighted evidence that performance indicators based on satisfaction surveys can prove to be 'inverse performance indicators' i.e. the greater the level of performance, the higher the expectations of the customer and therefore the lower the satisfaction level. Satisfaction survey results were referred to by one manager as 'can openers' i.e. they are not in themselves appropriate measures of performance, but can identify issues for further investigation. *'The PI outturn is meaningless but the issues arising from the surveys are not'.*

Another manager cited an example where customer satisfaction levels for a particular service were very high, but a financial BVPI related to the same service was amongst the worst-performing in the country i.e. the performance of one BVPI (cost) was sacrificed in order to achieve good performance in another BVPI (service delivery).

However, the difficulties surrounding satisfaction surveys were dismissed by another manager: *'satisfaction surveys are an appropriate measure of performance...the result may not be the whole picture but if we are supposed to be customer-focused, surely customer satisfaction has to count.'*

- **Financial BVPIs** were not considered appropriate, as it is difficult to compare the results with other local authorities especially where the treatment of central charges and overheads is unclear. One interviewee referred to *'huge LDL recharges'* that had a significant impact on the BVPI and which were *'non-negotiable'*. The same interviewee stated that *'we're too diligent in the way that we apply the calculation...we know other authorities are fixing it'*.

Another financial BVPI was described as being *'crippled by on-costs...LDL costs were calculated when the service was unstable and they were taking a lot more calls from the public. There's been a massive reduction in the service required from LDL, but costs haven't reflected this and been reduced accordingly'*.

- **The BVPIs do not measure like-for-like year on year** – examples were cited in the case of some BVPIs within the Education Portfolio where measures are based on the performance of a cohort of pupils. However, the cohort changes each year and different

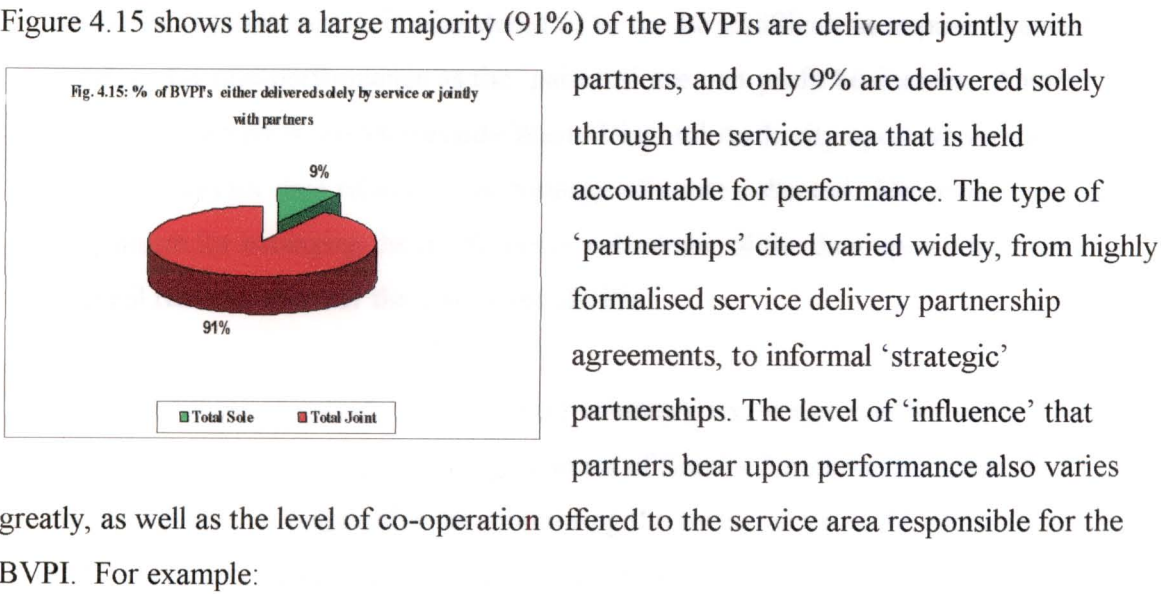


cohorts can produce different results for a number of reasons e.g. special needs, cohort size, number of pupils where English is not their first language. In addition, the tests for pupils change frequently – the BVPIs measure performance for a particular cohort of pupils but not the performance of teachers. The interviewee stated that *‘we need different measures and different ways of measuring – if we had a system where the same pupils were measured by the same test each year to see improvement in individual pupils, that would be preferable’*.

- **The BVPI is too narrowly defined and subject to ‘fixing’:** two interviewees cited examples of performance measures that were too narrowly defined and did not reflect service performance. One BVPI was cited as *‘meaningless as it is subject to ‘fixing’* i.e. the service focused on improvement within the narrow definition of the indicator and had achieved Top Quartile status, although the service as a whole was considered to be poor by both managers and Members, and in addition, had delivered very low customer satisfaction levels in a recent survey.

**Question 2: Are the BVPIs delivered solely within your service area, or do you deliver jointly with others (either other City Council services or external agencies)?**

**Figure 4.15: % of BVPIs that are either delivered solely by the service area or jointly with partners**



- The initiatives and actions undertaken by Merseyside Police play a significant part in the reduction of road casualties (previous research by the Transport Research Laboratory suggests that the impact of police enforcement activities can be estimated to represent 65% of performance in casualty reduction measures). Although the City Council engages Merseyside Police in joint initiatives such as publicity campaigns, traffic policing is not a core duty for the Police and therefore not a priority – although Central Government has prioritised road safety for local authorities, it has not done so for the Police and without their co-operation, it is extremely difficult to achieve targets.
- The Housing Repairs and Maintenance Service is delivered through a highly formalised partnership agreement where the service is delivered entirely through the partner. The City Council's role therefore is to manage and monitor the performance of the partner and impose penalties if the required standards of performance are not achieved. The penalties are incorporated into a complex payment mechanism which can result in financial loss for the partner if targets are not met.
- Refuse collection services are delivered through a contract arrangement with a private contractor, again based on a complex payment mechanism and where the City Council manages the performance of the contractor through a 'Technical Client'. Recycling and waste minimisation schemes are delivered entirely through social businesses – in the case of such businesses, it is considered to be far more difficult to impose financial penalties for non-performance as the 'partners' are non-profit businesses. Another key 'strategic' partner is the Merseyside Waste Disposal Authority upon whom the City Council relies for data related to the tonnage of waste collected. However, there is no mechanism for managing the timeliness or robustness of the data upon which the Council relies to monitor the associated BVPIs.
- Youth Services are entirely dependent on voluntary sector agencies for service delivery and performance is managed through a series of Service Level Agreements. The service manager is responsible for monitoring the performance of 47 voluntary projects and 22 statutory projects across the city. If the voluntary agencies do not perform to the required standard the service manager can, in theory, close the unit. However, as the



manager stated *'this is a highly politicised environment and it's difficult to close a unit if it's not performing'*.

- Many community safety initiatives are delivered through the Citysafe Partnership – a unique, multi-agency partnership between the City Council, Merseyside Police, voluntary organisations, the Primary Care Trusts (PCTs), and the Probation Service. The City Council manager responsible for establishing the partnership stated that it is unique in that all of the partners share the same systems and 'pool' their funding to create a single 'pot' of finance: *'the key to its success is that the partnership uses the same BVPIs as Merseyside Police and the City Council, so all the partners have buy-in to our BVPIs'*. In addition, the same manager responsible for delivery of the community safety BVPIs is a secondee from Merseyside Police, and the Chair of Citysafe so: *'it's easy to ensure that all of our objectives are aligned'*.
- The performance of some BVPIs is dependent upon other services within the City Council, for example, speed in processing applications within the Benefits Division relies upon performance of the Rents Service and the Council Tax Division: *'if we have to refer to a Rent Officer, the clock doesn't stop ticking even though there may be delays in that department'*. The performance of the Equal Opportunities Team is measured almost entirely on the basis of performance across the whole Council and is reliant on other Council services co-operating in terms of monitoring and reporting. The Equal Opportunities Manager has used the Corporate Performance Management Framework (CPMF) to introduce *'non-negotiable'* reporting procedures in order to gain the co-operation of other services: *'it's the rules of the game – it hasn't been pretty but it's worked'*.

**Question 3: How are the annual targets set for these BVPIs (i.e. processes/key drivers)?**

**Figure 4.16: % of BVPIs where target is set either nationally, locally or to achieve top quartile standards**

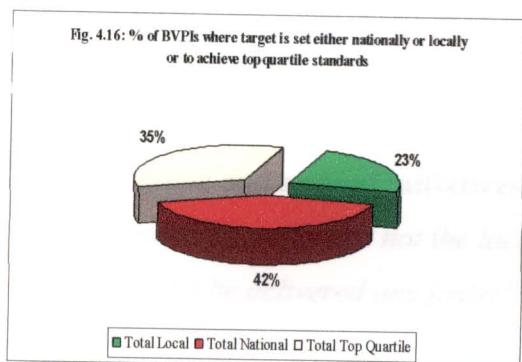


Fig. 4.16 shows that the targets set for 23% (i.e. 10) of the BVPIs are local targets (i.e. determined by the service manager based on local circumstances), 42% (i.e. 18) are national targets set by Central Government (and are the same for all local authorities) and 35% (i.e. 15) are determined by the corporate driver to

achieve top quartile status (i.e. determined corporately but not by the Service Manager). All of the issues which emerged during the interviews relating to target-setting were concerned with national and 'top quartile' targets:

- National targets were referred to by several managers as being '*non-negotiable*' and '*unrealistic*': in one case, the national targets were set over ten years and the annual targets are '*just a snapshot and meaningless...it's the ten year trend that's important*'. One manager highlighted a benefit of national targets in that it raises the profile of the BVPI at a local level: '*it became a corporate priority so we were given more resources to inject into the service*'. Within the Education Service, all targets are set nationally but: '*the targets were set when expectations were unrealistic...the Government introduced Literacy and Numeracy Strategies and they were just pie in the sky..*'
- Top quartile targets were also referred to as '*non-negotiable*': one manager stated that '*it's out of my hands – setting top quartile targets was an edict from above and there's no argument...but the targets are not realistic and not achievable*'. Another manager offered a similar view: '*last year, we all had to set top quartile targets which were totally unrealistic so we failed – this year, we've resisted top quartile targets and been more realistic, but senior managers don't think it's good enough*'.

**Question 4: What are the factors (both internal and external) that have had most impact on performance during the last three years?**

The managers interviewed identified a broad range of factors specific to their area of responsibility that had influenced performance of BVPIs during the last three years. However there were some common factors (both positive and negative) that were cited more than once, such as:

- **The volume and scale of initiatives** for which the service area has responsibility: *'staff are 'strategied out' – it's not the lack of resources, but there's just so much going on that it can't be delivered any faster'.*
- **Support at a political level** from Members (cited as both positive and negative impact): *'we couldn't achieve our targets...because Councillors got weak-kneed' and 'the Council made a policy decision not to do this, so we can't deliver the BVPI' but another manager cited Member support as a key factor in improved performance 'we had a clear mandate from Members...it made a huge difference'*
- **Leadership and support from the Executive Management Team (EMT)**: *'there is recognition from EMT that our service is a key driver for the city...the quality of support is exceptional'.* Another manager stated that *'the biggest impact over the last three years has been the quality of the management team which is exceptionally high'.* One manager referred specifically to the commitment of the Chief Executive *'he probably thought...I'm going to grab the organisation by the throat and shake it'.*
- **Legislation from Central Government** was cited several times as a key factor in performance: *'the key driver for improvement is the statutory plan'* and in another case *'new legislation makes it easier for us to mainstream our priorities'.* However, Government legislation was not regarded as positive in all cases *'we're awaiting publication of a Green Paper that includes 22 new standards...another 22 performance indicators in the CPMF...it doesn't bear thinking about!'*

**Question 5: Are the BVPIs ‘Resource Sensitive’?**

**Figure 4.17: % of BVPIs that are ‘resource sensitive’**

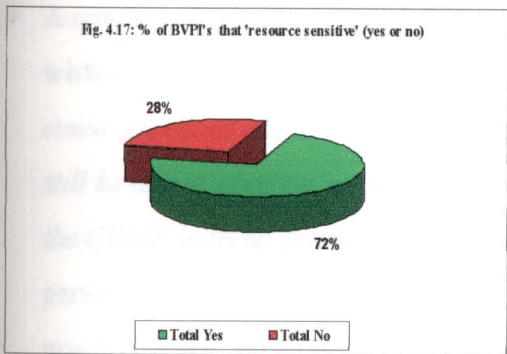


Fig. 4.17 identifies that 72% (i.e. 31) of the BVPI sample is considered to be ‘resource sensitive’ by the service manager responsible for delivery (i.e. the more resources invested in the service, the greater the standard of performance achieved). However, two managers highlighted that resources can have an ‘inverse’ effect i.e.

the greater the level of resource invested, the worse the BVPI would perform – this occurs in the case of some financial BVPIs (‘input’ BVPIs) which are designed to target efficiencies.

Although the majority of BVPIs are considered to be resource sensitive, none of the managers interviewed had calculated the level of resource required to achieve ‘top quartile’ status. Managers cited a number of reasons why BVPIs were not resource sensitive, such as *‘factors that influence this BVPI are rare, random, multifactor events...it’s not about resources’* and *‘this BVPI is volume sensitive rather than resource sensitive’*. One manager cited an example where another local authority had a whole division delivering one particular BVPI *‘they have a team of more than 50...there are just two of us and our BVPI is performing better.’*

**Question 6: Has the Corporate Performance Management Framework (CPMF) contributed to improved performance in the achievement of overall objectives and specifically against these BVPIs?**

**Figure 4.18: % of BVPIs where the CPMF impacts upon performance**

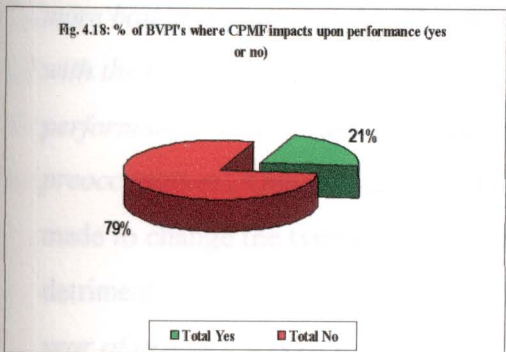


Fig. 4.18 demonstrates that for 79% of the BVPI sample (i.e. 34 BVPIs), managers do not consider that the CPMF has a direct impact upon performance. For 21% of the sample (i.e. 9 BVPIs) the CPMF is considered to have had an impact. There were a number of common points

raised in relation to this question:

- A number of managers stated that **performance would remain the same with or without the CPMF**: one stated that *'it's just another layer, we don't need it and you could get rid of it and we'd still achieve the same results'* and another that *'we would still be doing what we're doing if it didn't exist...we could deliver what's required from the CPMF without doing the useful stuff'*. In another service where a parallel performance management framework is in place, the manager confirmed that *'if there was no CPMF, we would still have performance indicators and service plans'*.
- Managers questioned the value of having to **report on BVPIs monthly** through the CPMF: one manager used the analogy that *'reporting this BVPI monthly is like sitting too close to the tv...all you see is the dots...you need to step back to see the whole picture'*. The argument was supported by another manager responsible for BVPIs that could only be measured annually: *'the outturn is stagnant for 11 months of the year, so what's the point in monthly reporting?'* and another stated that *'the frequency of reporting is unhelpful and provides no added value...BVPIs are like oil tankers – you can't turn them around overnight'*.
- Another common view identified was that the **CPMF is too focused on performance indicators** rather than performance management. One manager stated that *'people get hung up on BVPIs and will only concentrate on those although there's lots of improvement outside of the CPMF'* although as an afterthought added that *'we don't get hung up on them though, because they're irrelevant'*. Another manager reiterated that *'the problem with the CPMF is that it's driven by performance indicators, not service improvement...it shouldn't be about senior management focusing on BVPIs – we need a more bottom-up approach'*. This was reinforced by another manager: *'I don't agree with the CPMF because it's about managing the performance indicators, not performance'* and another referred to the *'danger that performance indicators become a preoccupation'*. One manager cited an example where a conscious decision had been made to change the type of educational support offered to special needs pupils - to their detriment – but to meet the requirements of the BVPI: *'we focused support on their last year of primary school to reach BVPI targets, even though it's better for them if*

*support is delivered much earlier'. Another spoke of locally developed priorities outside of the CPMF that had been created to ensure 'we don't lose the really important stuff off the radar'.*

However, there appeared to be recognition that BVPIs were '*non-negotiable*': '*a limitation is the focus on performance indicators...but we're all between a rock and a hard place on that one...we all either privately or publicly challenge Government on the weakness and sheer idiocy of some of them, but we have to report on them...otherwise the emperor would be without new clothes*'. As another manager stated '*performance indicators are a necessary evil*'.

- Some managers considered the **CPMF to be too inflexible**: '*it can be very difficult to set tangible outputs and outcomes for some of the elements that we deliver, so they can't be measured in the CPMF*' and '*it's too inflexible for someone with experience of performance management – it's very limiting*'.
- The level of **resource required to maintain the CPMF** was raised as an issue for several managers: '*the level of resource required to maintain the CPMF is high but a necessary evil*' and another stated '*I don't mean to be critical of the CPMF, but it takes an inordinate amount of time to monitor*'. One manager related a discussion held with a colleague regarding the sheer volume of 'box-ticking' exercises required to fulfill the requirements of the CPMF: '*it reminded us of that sketch in Fawlty Towers where Basil is trying to put the moose's head on the wall and Sybil keeps interrupting – we spend so much time keeping the CPMF up to date of progress, that we don't actually make any*'.

### **Question 7: What do you consider to be the main benefits/barriers to progress of the CPMF?**

There were a number of common themes which emerged during discussion of the benefits and barriers to progress of the CPMF, including:



## ➤ Accountability and Control

Accountability was considered by almost all of the managers interviewed to be the main benefit of the CPMF, although some managers qualified this benefit by highlighting the ‘punitive action’ that could result from non-compliance.

Positive comments made during the interviews included: *‘The CPMF brings benefits...it can hold people to account’*; *‘It’s useful for governance’*; *‘The CPMF gives ownership and everyone is very careful to justify their actions...it enables justification of failure as well as success’*; and *‘You have to have some measurement of how you’re doing so you can justify yourself – the CPMF means you can’t hide a bad result’*.

An example was cited where a service with a budget of £46M had *‘slipped through the CPMF net’* and had recently undergone an Audit Commission inspection, resulting in a poor score: *‘How else can we identify failure in services if not through the CPMF - this is a £46M service and nobody knew it existed – there was no accountability’*.

However, there were negative perceptions of the ‘punitive action’ that could result from greater scrutiny. One manager referred to the plethora of different funding agencies that required performance information from the service area: *‘We report to a host of agencies, but we get the most scrutiny and grief through the CPMF’* and another stated that *‘Everyone is aware of the sanctions that could be imposed if you don’t play ball with the CPMF’*, or in the words of another manager *‘It’s just used as a stick to beat us with’*.

## ➤ Communication

The value of the CPMF as a communication tool for colleagues and the Executive Management Team (EMT) was recognised by several managers: *‘It brings to the fore services that are doing well so that they have their ‘place in the sun’*’; *‘Its good for information – anyone can log on and see what’s happening in any other service’* although some comments were qualified: *‘It informs EMT of our activities and achievements and is a common system across the Council...I wouldn’t want it to disappear entirely but would prefer a simplified system’*; *‘As a communication tool its excellent but it’s no good for managing performance...’*.

### ➤ **Robustness and Consistency of Data**

Half of the managers interviewed identified robustness and consistency of data to be key benefits of the CPMF: *'it provides processes and procedures to show an audit trail'*; *'it helps to achieve consistency in reporting across the Council'*; and *'it's essential for bringing discipline'* although the 'fear factor' emerged again as an issue *'there's punitive action if systems are not in place...the fear factor stops people telling lies'*

### ➤ **Prioritisation and 'Mainstreaming'**

Other benefits of the CPMF which were raised to a lesser degree included that: it provides **priority and focus**; *'it keeps service managers focused on the corporate priorities rather than doing their own thing'*; and that it enables 'mainstreaming' of corporate issues; *'the Corporate Equalities Plan is the best example of demonstrable change through the CPMF' – equalities has now been mainstreamed – the CPMF is the only tool for mainstreaming corporate issues'*.

### **Question 8: What other Performance Management arrangements are in place within the service?**

There appear to be a wide range of performance management arrangements in place across the Council which fall outside of the scope of the Corporate Performance Management Framework (CPMF) that are particular to individual service areas and/or Portfolios, such as:

- The Educational Development Plan (EDP) is cited as *'the key driver for improvement in Education...it's a statutory plan and the structure and targets are dictated nationally'*. The EDP translates into EDP Service Plans that *'run in parallel to the CPMF...the service is judged by the EDP, not the CPMF'*. In addition, the EDP contains *'activity-based soft targets that can't be measured in the CPMF...the soft indicators are the main management tool for the service'*.
- The Regeneration Portfolio holds a 'Performance Forum' and runs a series of Performance Improvement Groups ('PIGs') which conduct benchmarking with other local authorities: on the subject of the PIGs, one manager stated that *'the support mechanism in Regeneration is more useful than the CPMF...receiving constructive*



*challenge through the PIGs is useful' and another that 'the PIG is making an impact, as is the benchmarking group...the benchmarking group is providing clout and making real impacts'.*

- Youth Services monitor the Service Level Agreements with delivery agents and report to Area Committees on a quarterly basis. The service has implemented an inspection and self-assessment process that results in an Improvement Plan for each of the delivery agents. In addition, the service is *'embarking on a rigorous performance management schedule to target those who aren't performing....this is outside the CPMF personal review process'*.
- The Citysafe Partnership has a Performance Management Unit to service three Joint Agency Groups (JAGs) which deliver the priorities in the Crime and Disorder Reduction Strategy. The JAGs review performance indicators using the 'traffic light system' and *'include local priorities so that we don't take our eye off the ball'*. In addition, sub-groups have been established to tackle each BVPI (eg vehicle crime) but *'we kept non-BVPI sub-groups as well for local priorities to make sure they don't fall off the radar'*.
- The Benefits Division (part of Liverpool Direct Ltd) has developed an entirely separate performance management framework that informs the 'Benefits Service Operational Plan' and is inspected by the Benefits Fraud Inspectorate. The plan includes a full evaluation of financial and resource management – the service manager cites the in-house system for 'Work Throughput Planning' as the key to successful improvement.
- One Service Manager cited the Corporate Performance Management Framework as the main tool for performance management: *'The CPMF is an excellent management tool...the principles are all common sense...it's effective, efficient and it's live'*.

4.3.4 Correlation of the Independent Variables

Following the interviews, a number of different combinations of variables were examined to establish possible correlation between them. The results are presented in Figures 4.19 to 4.28 below.

**Figure 4.19: No. of BVPIs improving or static/failing according to ‘appropriateness of measure’**

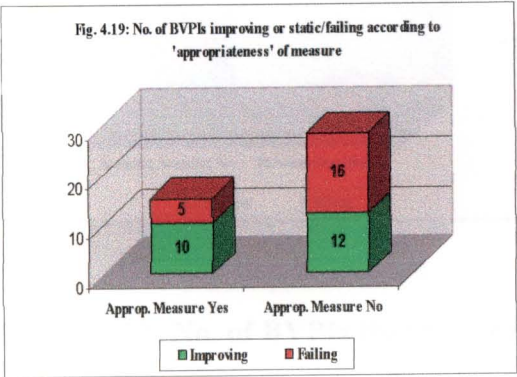


Fig. 4.19 shows that, of 28 BVPIs that were not considered to be appropriate measures of performance, 43% (i.e. 12) are improving and 57% (i.e. 16) are failing. Of the 15 BVPIs that are considered to be appropriate measures, 67% (i.e. 10) are improving, and 33% (i.e. 5) are failing.

**Figure 4.20: No. of BVPIs that are improving or static/failing according to sole or joint delivery**

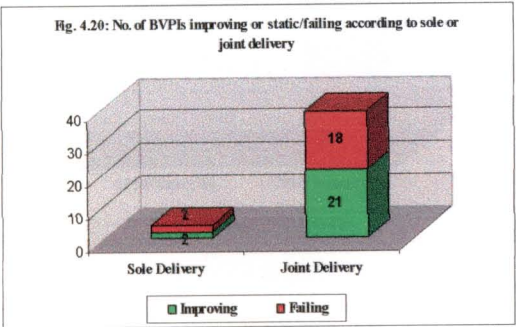


Fig. 4.20 demonstrates that, of the 39 BVPIs that are delivered jointly, 54% (i.e. 21) are improving, whilst 46% (i.e. 18) are failing. Of the 4 BVPIs that are delivered solely by the service area, there is an even split between improving and failing BVPIs.

**Figure 4.21: No. of BVPIs that are improving or static/failing according to the target-setting process**

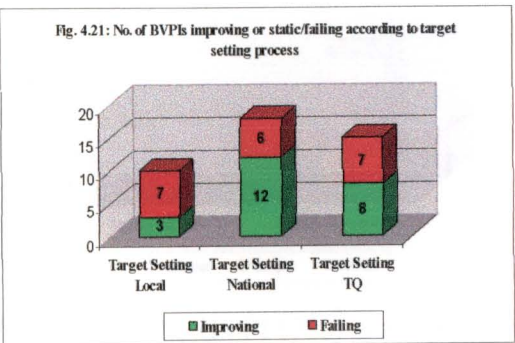


Fig. 4.21 shows that where BVPIs have locally determined targets, the proportion of failing BVPIs is highest (i.e. 70% or 7 out of 10: where targets are set nationally, the proportion of improving BVPIs is highest (i.e. 67% or 12 out of 18); where targets are determined by the

driver to achieve ‘top quartile’, the split between improving and static or failing is almost even at 53% and 47% respectively.

**Figure 4.22: No. of BVPIs that are improving or static/failing according to ‘resource sensitivity’**

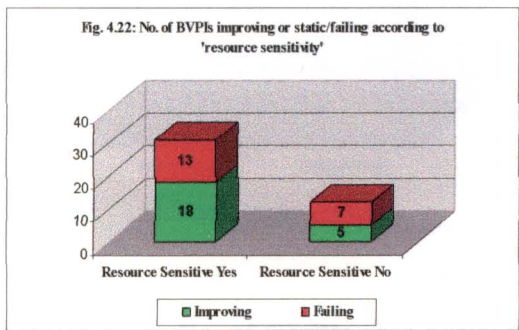


Fig. 4.22 identifies that, of the 31 BVPIs that are ‘resource sensitive’, 58% (i.e. 18) are improving and 42% (i.e. 13) are failing; of the 12 BVPIs that are not ‘resource sensitive’, 42% (i.e. 5) are improving and 58% (i.e. 7) are static or failing.

**Figure 4.23: No. of BVPIs that are improving or static/failing according to whether the CPMF impacts upon performance**

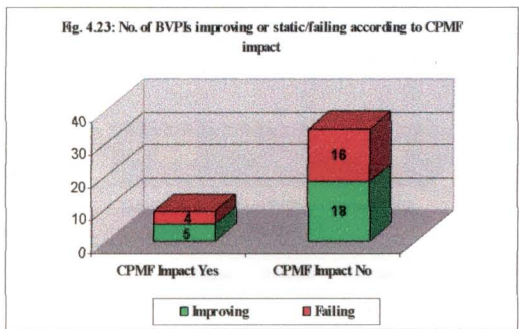


Fig. 4.23 demonstrates that, of the 34 BVPIs where the CPMF does not impact upon performance, 53% (i.e. 18) are improving and 47% (i.e. 16) are failing; of the 9 BVPIs where the CPMF is considered to have an impact on performance, 55% (i.e. 5) are improving and 45% (i.e. 4) are failing.

**Figure 4.24: No. of BVPIs that are categorised as either ‘Input’ or ‘Output’ or ‘Result’ according to ‘appropriateness of measure’**

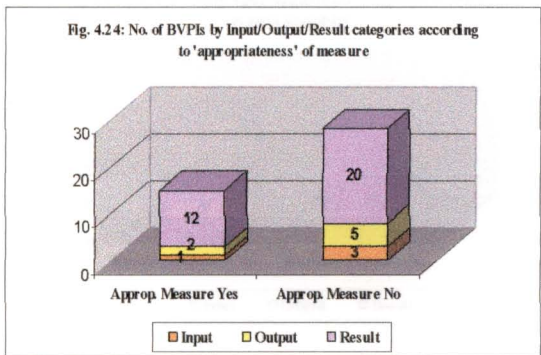


Fig. 4.24 shows that, of the 28 BVPIs that are not considered to be appropriate measures of performance, 20 (71%) are ‘result’ measures, 5 (18%) are ‘outputs’ and 3 (11%) are ‘input’ measures. Of the 15 BVPIs that are considered to be appropriate measures of performance, 12 (80%) are ‘result’ measures, 2 (13%) are

‘outputs’ and 1 BVPI (7%) is an ‘input’ measure.



**Figure 4.25: No. of BVPIs that are categorised as either ‘Input’ or ‘Output’ or ‘Result’ according to sole or joint delivery**

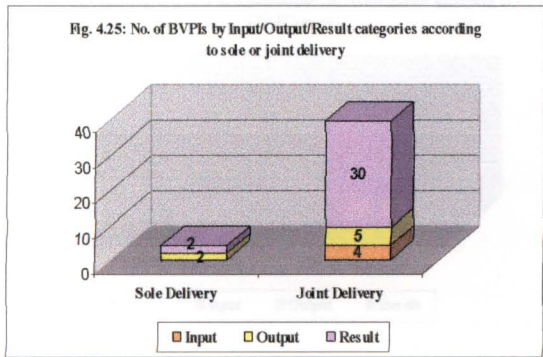
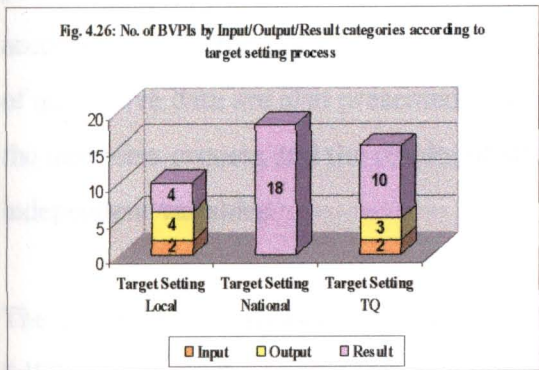


Fig. 4.25 shows that, of the 39 BVPIs that are delivered jointly with partners, 30 (77%) are ‘result’ measures, 5 (13%) are ‘outputs’ and 4 (10%) are ‘input’ measures. Of the 5 BVPIs that are delivered solely by the service area, 3 are ‘result’ measures and 2 are ‘output’ measures.

**Figure 4.26: No. of BVPIs that are categorised as either ‘Input’ or ‘Output’ or ‘Result’ according to the target setting process**

Figure 4.26 highlights that all 18 of the BVPIs where the target is set nationally, are ‘result’



measures; of the 15 BVPIs where the driver is top quartile, 10 (67%) are ‘result’ measures, 3 (20%) are ‘outputs’ and 2 (13%) are ‘input’ measures; of the 10 BVPIs where the target is determined locally, there are 4 each of ‘result’ and ‘output’ measures, and 2 ‘inputs’.

**Figure 4.27: No. of BVPIs that are categorised as either ‘Input’ or ‘Output’ or ‘Result’ according to ‘resource sensitivity’**

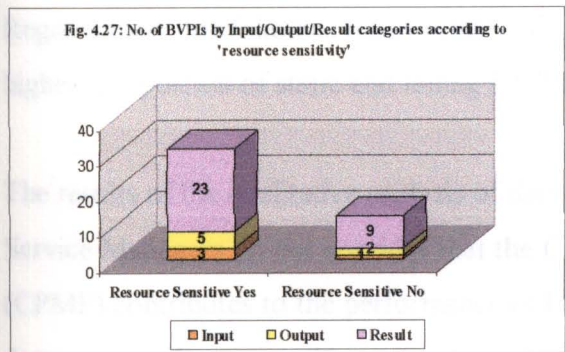


Fig. 4.27 shows that; of the 31 BVPIs that are ‘resource sensitive’, 23 (74%) are ‘result’ measures, 5 (16%) are ‘outputs’ and 3 (10%) are ‘inputs’; of the 12 BVPIs that are not ‘resource sensitive’, 9 (75%) are ‘result’ measures, 2 (17%) are ‘outputs’ and 1 is an ‘input’ measure.

**Figure 4.28: No. of BVPIs that are categorised as either ‘Input’ or ‘Output’ or ‘Result according to whether the CPMF impacts upon performance**

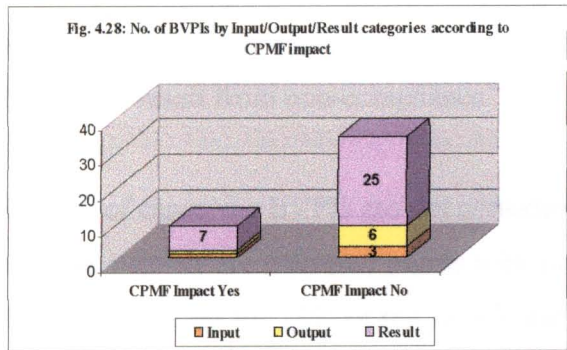


Fig. 4.28 demonstrates that; of the 34 BVPIs where the CPMF does not impact upon performance, 25 (73%) are ‘results’, 6 (18%) are ‘outputs’ and 3 (9%) are ‘inputs’; of the 9 BVPIs where the CPMF does have an impact, 7 (78%) are ‘results’ and there is one each of ‘output’ and ‘input’ measures.

**4.4 Summary**

This chapter presents the findings from both the quantitative analysis of Best Value Performance Indicators according to the taxonomy of ‘input’, ‘output’ and ‘outcome’ and according to whether they are ‘improving’ or ‘static/failing’. The findings from the analysis of qualitative data are also presented here, including the key themes that emerged during the interview process and the results of attempts to establish correlation between the independent variables.

The quantitative analysis of data excluded local performance indicators as they did not fulfill the criteria for consistency and robustness. It can be seen from the findings from the quantitative analysis of BVPIs that 62% demonstrate improved performance during the three-year period under consideration, and that of these improved BVPIs, 55% are results-based or ‘customer impact’ measures. The analysis by Portfolio shows that the Regeneration Portfolio has responsibility for the most BVPIs within the sample and the highest proportion of static and failing BVPIs.

The results of the qualitative analysis of data show that for 79% of the BVPI sample, Service Managers do not consider that the Corporate Performance Management Framework (CPMF) contributes to the performance of BVPIs and that a variety of other factors determine performance. There are also a wide variety of additional performance management initiatives underway across Portfolios that fall outside of the CPMF.

A number of common themes emerged during the data collection regarding the impact of the CPMF such as the negative consequences of too much focus on performance indicators and the inflexibility of the system. The impact of the CPMF as a tool for increasing accountability was a strong theme throughout the interviews, as well as the punitive action that could result from non-compliance.

In 65% of cases, the BVPIs are not considered to be an appropriate measure of performance and the majority are delivered jointly with partners. Service Managers are only responsible for setting targets for 23% of the sample and where targets are set nationally, the BVPIs are all 'result-based' measures.

Conclusions from the above findings are discussed fully in Chapter Five.

## **5 Conclusions and Implications**

### **5.1 Introduction**

It can be seen from Chapters One and Two of this study that the rise of the ‘new evaluative state’ in the UK (Henkel, 1991; Section 1.1), and the UK Government’s increased focus on performance management to deliver improved societal outcomes, presents a number of challenges for local authorities. Liverpool City Council has attempted to meet these challenges through the introduction of its Corporate Performance Management Framework (CPMF), and evidence suggests that it has successfully delivered performance improvement since its introduction (Section 1.2).

However there are a number of difficulties related to the implementation of performance management systems within the UK Public Sector. Such difficulties include:

- Implementation of a successful performance management framework where staff commitment and ‘ownership’ is not diluted by a ‘top-down’ approach (Stiles et al, 1997; Section 2.1)
- Development of appropriate measures of performance to demonstrate results (i.e. effectiveness) as well as economy and efficiency (Hyndman & Anderson, 1997; Boland & Fowler, 2000; Section 2.3.1)
- Making the links between ‘high level’ strategic objectives (the ‘tin-openers’ of performance measurement) and the ‘low level’ operational goals (the ‘dials’ of performance measurement) (Carter, 1989; Section 2.4.1)
- Managing the potential conflict between the dual role of performance management in the public sector i.e. accountability and performance improvement (Boland & Fowler, 2000; Halachmi, 2002; Section 2.3.2)
- Recognising and countering the ‘perversity’ of public sector performance management i.e. Smith’s ‘unintended consequences’ (Smith, 1995; Pidd, 2004; Section 2.3.3)

Moreover, there appears to be little evidence as yet from previous research, that the implementation of performance management systems actually has any impact on performance improvement and that the costs incurred in implementation of such systems are outweighed by the benefits (Halachmi, 2002; Section 2.3.2). For example, attempts to evaluate the impact of the Balanced Scorecard have proved inconclusive despite its

popularity (Neely et al, 2004; Section 2.4.2) and research by Radnor and McGuire (2004) suggest that performance management in the public sector is ‘more fiction than fact’ (Radnor & McGuire, 2004; Section 2.4.3).

The research presented in this study attempts to address some of the questions identified above by:

- Measuring improvement in Liverpool City Council’s key performance indicators (in this case, the Best Value Performance Indicators identified in Chapter Four) according to Hyndman & Anderson’s taxonomy of ‘input’, ‘output’ and ‘results’ measures (Hyndman & Anderson, 1997; Section 4.2.2) to establish performance in customer impact (i.e. ‘results-based measures’ that achieve societal outcomes)
- Evaluating the impact of the City Council’s Corporate Performance Management Framework (CPMF) on performance of those key performance indicators through analysis of qualitative data.

In addition, the qualitative data collected enables analysis regarding:

- Identification of evidence to support the presence of the ‘unintended consequences’ of performance management within Liverpool City Council and
- Identification of other factors, other than the CPMF, which have an impact upon performance.

The research findings presented in Chapter Four are discussed in Section 5.3 below.

## **5.2 Critical Evaluation of Adopted Methodology**

There are a number of limitations within the adopted methodology that became apparent during the research process in relation to both the quantitative analysis of performance indicators to address the first part of the research question, and the qualitative analysis to address the second part. These limitations are identified as follows:

### **5.2.1 Limitations of the Quantitative Analysis**

- The quantitative analysis of Best Value Performance Indicators (BVPIs) extends beyond the scope of the Audit Commission inspection of the City Council’s performance management arrangements discussed in Section 1.2 in that it attempts to



identify performance measures according to ‘input’, ‘output’ and ‘result’ according to Hyndman & Anderson’s taxonomy of performance measures (Section 2.4.1). However, this methodology introduces an element of subjectivity into the quantitative analysis. Although subjectivity was minimised by implementation of the three-way independent categorisation of performance measures according to specified definitions and examples (Section 3.3.4.2), subjectivity was not altogether eliminated – as demonstrated in the findings (Section 4.2.2).

- Due to the nature of the difficulties in establishing appropriate performance measures, in particular the ‘high-level’ strategic measures which are most likely to deliver customer results (Section 2.4.1), it is suggested that the performance measures included within the scope of this analysis do not necessarily capture the full range of performance improvements which may have been implemented by the City Council i.e. that improvements take place outside of the scope of the Corporate Performance Management Framework but are difficult to measure and therefore difficult to evidence.
- Lack of consistent data for the three-year period under analysis has resulted in a smaller sample size than had been anticipated (i.e. from a sampling frame of 194 Best Value Performance Indicators, 60% had not remained consistent over the whole three-year period). Therefore, due to the size of the sample, it has not been possible to generalise about the population.

### **5.2.2 Limitations of the Qualitative Analysis**

- The methodology adopted for collection of qualitative data (i.e. semi-structured interviews) produced rich data that may not have emerged from a questionnaire or other forms of qualitative data collection. However, the interview process is time-consuming and some of the questions posed could have arguably been included effectively in a questionnaire. This may have increased the response rate and resulted in a larger sample size that could have enabled generalisations about the population.
- Bias was minimised as far as possible during the collection and analysis of qualitative data (Section 3.5) however, it is possible that the role of the interviewer within the Council (i.e. Performance Manager responsible for implementing the Corporate

Performance Management Framework within the Regeneration Portfolio) did, to some extent, influence the responses of research participants – particularly those within the Regeneration Portfolio.

### **5.3 Conclusions about the Research Question**

The research question under consideration comprises two parts:

- Firstly, to consider whether the performance measures within the LCC Corporate Performance Management Framework (CPMF) demonstrate improvement over time since introduction of the CPMF, with specific concern for those performance indicators which can be interpreted as measuring ‘customer impact’ (ie ‘results-based’ measures)
- Secondly, whether any improvement identified during the research can be attributed to the CPMF. In addition, the second part of the research identifies other issues which may influence performance in service delivery.

#### **5.3.1 Research Question: Part One**

The first part of the research question i.e. whether the performance measures within the CPMF demonstrate improvement over time, with specific concern for ‘results-based’ measures, is addressed in the research findings in Sections 4.2 and 4.3.

It is evident in Table 4.1, and highlighted in Figure 4.1, that 62% of the sample of Best Value Performance Indicators (BVPIs) demonstrates improved performance between 2001/02 and 2003/04, that is, performance improvement is evident. Although the sample size is too small to infer the results on the BVPI population, it is perhaps significant that this reflects the findings of the Audit Commission inspection in 2003 (Section 2.1) i.e. that 62% of performance indicators had improved (although the Audit Commission analysis was conducted over a period of one year only between 2001/02 and 2002/03).

Figure 4.2 shows that just over half of the BVPI sample (53% i.e. 41 BVPIs) can be categorised as ‘results-based’ or ‘outcome’ measures (i.e. relating to customer impact). Figure 4.3 further identifies that, of the 41 ‘results-based’ measures, 26 (i.e. 63%) have improved. In summary, as shown in Figure 4.4, 55% of the improved BVPIs are ‘results-based’ measures.

Therefore, it can be concluded that, based on the sample under analysis, Liverpool City Council can demonstrate improved performance in customer-focused (or ‘results’ based) performance measures.

### **5.3.2 Research Question: Part Two**

The second part of the research question considers whether improvement in performance within Liverpool City Council can be attributed to the Corporate Performance Management Framework (CPMF) i.e. to evaluate its impact on performance. The findings that relate to this part of the research question are presented in Section 4.3.

It can be seen from Figure 4.18 that for 79% of the BVPI sample (i.e. 34 BVPIs), managers responsible for those BVPIs did not consider that the CPMF has an impact upon the performance of those performance measures, whilst for 21% of the sample (i.e. 9 BVPIs) managers did consider that it had an impact. Although the sample size is too small to infer the results on the population with any degree of confidence, the findings are nonetheless significant. It can be concluded therefore that, based on the sample, for the majority of the BVPIs, the CPMF has had no impact on performance – the findings related to Interview Question 6 (Section 4.3.3) suggest that performance would remain the same with or without the CPMF: *‘it’s just another layer, we could get rid of it...and still achieve the same results’*.

In addition, findings from the qualitative data related to Question 6 raise a number of issues regarding the impact of the CPMF on performance in service delivery:

- **The resource required to maintain the CPMF is considered by managers to be disproportionate to the benefits accrued and that monthly reporting and monitoring provides no added value:** This is indicative of one of the negative consequences of poorly designed and poorly administered performance management systems identified by Engelmann and Roesch (1996) (Section 2.1) i.e. inefficient use of managers’ time. It also supports Halachmi’s case (2002) that the increase in overheads required to maintain such systems is at the expense of operational capacity (Section 2.3.2). Radnor and McGuire (2004) argue that within the public sector, staff spend more time ‘form filling’ and chasing information than managing the process, and that

the '*desire to tick the boxes*' is strong (Section 2.4.3). This is evident in the LGMB research and endorsed by Sanderson (2001) that '*performance review becomes a superficial paperchase, subject to manipulation and avoidance tactics*' (Sanderson, 2001; Section 1.3.2) whilst Hyndman and Anderson point out that 'more activity does not necessarily lead to improved results, just more expense' (Hyndman & Anderson, 1997; Section 2.4.1). The evidence provided within this study would support that view.

- **The CPMF is too focused on performance indicators rather than performance management:** this is identified by Smith (1995) as one of the 'unintended consequences' of publishing performance data in the public sector i.e. measure fixation which occurs when the performance indicator itself becomes the focus rather than the desired outcome (Section 2.3.3). A stark example of this can be seen with regard to provision of educational support for special needs pupils; '*we focused support on their last year of primary school to reach BVPI targets, even though it's better for them if support is delivered much earlier*'. This 'unintended consequence' has emerged as a result of the central tenet of NPM that 'what gets measured gets done' (Bovaird & Loeffler, 2004; Section 2.2.1). In addition, Halachmi (2002) argues that a focus on performance measures leaves no room for the recognition of unplanned achievements (Section 2.3.2). The research in this study would suggest that Caulkin's tenet is appropriate i.e. '*targets are only useful as long as you do not use them to manage by*' (Caulkin, 2004; Section 2.3.3).
- **The CPMF is too inflexible and leaves no room for 'soft' measures of performance:** Maile and Hoggett (2001) and Martin and Davis (2001) argue that the performance management framework at the heart of Best Value is indicative of a highly rationalistic, centrally-orchestrated managerialism that is in danger of suffocating the local autonomy, discretion and flexibility required to respond to diverse local needs (Section 2.2.2) – on a 'micro' level, the same might also be said of the City Council's performance management framework. A combination of both 'hard' and 'soft' measures (i.e. triangulation) may provide a clearer view of performance (Bolton, 2003; Eisenhardt, 1989; Section 2.3.1). However, the CPMF is not designed to take account of such 'soft' measures – by attempting to translate intangible outcomes into 'hard' quantifiable measures of performance, the City Council is subject to the erroneous

interpretation of indicators as synonymous with concrete measures of performance described by Boland and Fowler (2000) (Section 2.3.1).

- **Accountability** was cited by almost all of those interviewed as the main benefit of the CPMF although this was tempered by the ‘punitive action’ that could result from non-compliance. The issue of accountability in public sector performance management regimes has been the subject of much discussion in previous research and is comprehensively covered in Chapter Two.

Carter et al (1992), Bovaird and Gregory (1996), Clarke and Newman (1997), Hyndman and Anderson (1997) have all argued that central control is the dominating purpose behind the imposition of performance management regimes in the UK public sector and embodies a move towards ‘post-bureaucratic’ forms of control to achieve accountability (Sections 2.2 and 2.3). However, research into the role of performance management in the public sector highlights the limitations of performance measurement systems oriented to promoting accountability (Dowson et al, 2004; Sanderson, 1998, 2001; Boland & Fowler, 2000; de Bruijn, 2002; Maile & Hoggett, 2001; Section 2.2.1).

Smith (1995), Boland and Fowler (2000), Halachmi (2002), Bolton (2003) and Pidd (2004) all argue that performance management systems which are designed to fulfil the role of accountability are in direct conflict with the notion of performance improvement and lead to a number of ‘unintended consequences’, such as:

- The conditions of certainty and linearity required to promote accountability leave no room for unplanned achievements. This is evidenced within the City Council’s Community Safety Team where ‘non-BVPI’ sub-groups have been established to ensure that certain activities ‘*don’t fall off the radar*’ (Section 4.3.3) and;
- The tendency of managers to ‘play it safe’ for fear of deviation from the ‘accountability blueprint’. This is clearly evident from some of the comments of those managers interviewed during this research: ‘*everyone is very careful to justify their actions*’, ‘*everyone is aware of the sanctions that could be imposed if you don’t play ball with the CPMF*’ and ‘*it’s just used as a stick to beat us with*’.

Pidd (2004) argues that when accountability is the main driver for performance management systems in the public sector, then ‘perversity’ is inevitable (Pidd, 2004; Section 2.3.3). Halachmi (2002) goes one step further and concludes that managers in the public sector must decide what they want performance measures to do – enhance accountability or improve performance, but are unlikely to achieve the two together. Radnor and McGuire (2004) drew similar conclusions from their recent research (Radnor & McGuire, 2004; Section 2.4.3).

It is clear from the research presented in this study, that managers regard the CPMF as a tool for promoting accountability rather than performance improvement. This is evidenced on two counts; firstly, that for 79% of the BVPI sample, managers did not consider that the CPMF played a role in performance improvement; secondly, that most managers interviewed identified accountability as a key ‘benefit’ of the CPMF.

Perhaps Liverpool City Council should follow Halachmi’s suggestion (2002) and decide whether the CPMF is a tool to promote accountability or, as stated at its introduction in 2000 ‘*intended to foster a performance culture and embed performance management into the day-to-day operations of the organisation*’ (Section 1.2). It would appear from this research that it clearly fulfils the function of accountability but the case for the CPMF as a tool for performance management is not proven. This is further evidenced by the plethora of other performance management arrangements which managers feel it is necessary to put into place in order to deliver performance improvement (Section 4.3.3, Question 8).

### **5.3.3 Conclusions from Additional Findings**

The analysis of qualitative data also revealed a number of other common themes related to the implementation of the Corporate Performance Management Framework (CPMF), as below:

➤ **Best Value Performance Indicators (BVPIs) as appropriate measures of**

**performance:** Figure 4.14 identifies that in the case of 65% of the BVPI sample, managers do not consider that they are an appropriate measure of performance – a number of common reasons were cited:

- **The Service Area has minimum control over the outcome:** this reflects Halachmi's view that where performance measures are used as a means of external control (i.e. Central Government control over local authorities, or as Bovaird (2004) describes it, the '*tightening of the screws*'), there is a loss of capacity to affect outcomes (Halachmi, 2002; Section 2.3.2). Boland and Fowler (2000) would argue that this loss of capacity is symptomatic of an organisation that sits in Quadrant Four of the Control Locations and Resultant Action Matrix Model (Fig. 2.6) that is, '*an inherently unstable regime...which can easily lead to an overall worsening of public services rather than holistic improvement*' (Boland & Fowler, 2000; Section 2.3.2).
- **Unreliability of customer satisfaction surveys:** Bolton (2003) would support the view of some managers that satisfaction surveys are unreliable as they are based on perception; however, managers did recognise that there is some merit in measuring customer satisfaction to identify potential issues with service provision - their issue is more concerned with the way in which the results are treated (i.e. compared with other local authorities) rather than the value of such surveys.
- **Financial BVPIs are considered to be inappropriate** due to method by which they are calculated, particularly in relation to the allocation of overheads and central recharges. For example the process by which LDL (Liverpool Direct Ltd) apply recharges is unclear and disproportionate to the provision of service. In addition, managers consider that it is difficult to make comparisons with other local authorities, especially where other authorities were believed to be 'fixing' the data. This evidence supports the findings of Hyndman and Anderson's research (1997), that '*the unscrambling of these costs, often on a*

*fairly arbitrary basis, make it difficult to compare measures between organisations’* (Hyndman & Anderson, 1997; Section 2.4.1).

- **Time-series measurement of a number of BVPIs was considered inappropriate where it was not possible to make a ‘like-for-like’ comparison** (e.g. within the Education service, where the pupil cohort changes each year). This concurs with Bolton’s argument (2003; Section 2.3.1) that such measures do not provide a true picture of effectiveness, particularly where performance is dependent on a number of external factors over which the organisation has little influence (i.e. in the case of the example cited above, the features of a particular cohort of pupils).
- **BVPI is too narrowly defined and subject to ‘fixing’:** one manager cited an example of a BVPI that was ‘fixed’ and did not reflect true performance. Pidd (2004) would argue that this is evidence of the ‘perversity’ of performance management in the public sector (Section 2.3.3) and one of Smith’s ‘unintended consequences’ i.e. misrepresentation, which occurs when performance data is distorted to create a good impression (Smith, 1995; Section 2.3.3). Although only one manager interviewed admitted to ‘fixing’ the BVPI, it is possible that that due to the sensitive nature of the information, there are other examples across the Council but that managers are reluctant to acknowledge the existence of such practices.
- **The role of partners in service provision:** it is clear from Figure 4.15 that a large proportion of the BVPI sample (i.e. 91%) are delivered jointly with partners, either internal or external. The nature of the ‘partnerships’ varies greatly from highly formal partnership agreements to informal ‘strategic’ arrangements. The level of performance management in place within the partnerships also varies according to the nature of the partnership. It could be argued that to a large extent, this is the result of New Public Management (NPM) and the drive to decentralise large public sector agencies and introduce smaller, quasi-autonomous units (Hood, 1991; Section 1.1).



The level to which a BVPI is reliant on partner performance can present difficulties for Service Managers especially if the partner is external and does not share the priorities and strategic aims of the City Council (for example, in the case of Merseyside Police and the City Council's road casualty reduction targets). This difficulty is identified by Radnor and McGuire (2004) who highlight lack of ownership as a critical barrier to success in the public sector i.e. when the achievement of targets is dependent on an outside body; staff will lose interest and motivation (Radnor & McGuire, 2004; Section 2.4.3). However, although partner performance emerged as a potential challenge from the analysis of the qualitative data, there is no evidence that managers have lost motivation – rather it seemed that service managers were investing considerable resource into ensuring that partners contributed effectively to performance. One manager deemed that the key to success was in sharing ownership of the BVPIs '*so that all the partners have buy-in*'.

- **The target-setting process for BVPIs:** Hyndman and Anderson recommended in 1997 that the extent to which target-setting is prescribed in public sector agencies should be the subject of further research (Hyndman & Anderson, 1997; Section 2.4.1). Figure 4.16 in the findings of this research (Section 4.3.3; Question 3) shows that for 65% of BVPIs, targets are determined either nationally or by the Council's driver to become a 'top quartile' authority – in other words, managers have no influence over the targets set for those BVPIs for which they are responsible.

Many managers referred to these targets as non-negotiable, unrealistic and unachievable – in the words of one manager, targets set were '*pie in the sky*'. Such a 'top-down' approach to goal-setting is a recurrent theme within the literature reviewed and is regarded as an obstacle to 'ownership' and improved performance (Stiles et al, 1997; Section 1.2; Fletcher & Williams, 1992; Section 2.1.1;) Recent research by Radnor and McGuire (2004) supports this argument and finds that, specifically in the public sector i) lack of ownership is particularly apparent where staff have no input into the target-setting process and ii) lack of understanding of targets by staff leads to a focus on increasing activity rather than improving quality (Radnor & McGuire, 2004; Section 2.4.3). This appears to be the case within Liverpool City Council and managers have

adopted a fatalistic attitude towards target-setting, summed up by one manager who stated *'it's out of my hands...it was an edict from above and there's no argument'*.

#### **5.4 Conclusions about the Research Problem**

The research problem i.e. an evaluation of the impact of Liverpool City Council's Corporate Performance Management Framework (CPMF) on customer-focused results has resulted in a research design which is specific and narrow in focus. However, the findings from the research suggest that there are a number of other factors (that is, other than the CPMF) that have led to performance improvement evidenced in Part One of the Research Question (such as commitment and leadership of the Executive Management Team, political support and in some cases, the national priorities established by Central Government; Section 4.3.3, Question 7). There are a plethora of performance management arrangements in place across the City Council that may have an impact on performance improvement (Section 4.3.3, Question 8). A broader study of the impact of performance management initiatives within the City Council may have provided further insight into the performance improvement that is evident.

In addition, the small number of performance indicators that have appeared consistently during the period 2001/02 to 2003/04 within the CPMF has limited the research and has not made it possible to infer results across the population. However, based upon the ODPM's proposals for BVPIs in 2005/06 (ODPM, 2004; Section 2.2.3), it is unlikely that a larger sample of consistent data will be available next year (or indeed the following year). It may be some time before the statutory BVPI 'basket' of indicators remains stable enough for long enough to conduct research on a sufficiently large sample size to make generalisations.

#### **5.5 Opportunities for Further Research**

The findings from the research raised a number of issues which are worthy of note, and may be worthy of further research, such as:

- A cost-benefit analysis of the implementation of the CPMF within Liverpool City Council in order to assess whether the costs outweigh the benefits
- The extent to which 'resource sensitive' performance indicators could be driven to 'top quartile' status through additional investment

- The extent to which customer satisfaction surveys reflect actual service delivery and the extent to which other factors determine perception
- An evaluation of other performance management initiatives within the Council and the extent to which they impact upon improvement in service provision – this may be of particular interest if conducted on a Portfolio basis (see Figures 4.7 to 4.13)
- An analysis of the development of Best Value Performance Indicators year on year according to Hyndman and Anderson's taxonomy (1997) to establish whether the 'make up' of the basket of indicators has changed according to 'input', 'output' and 'result' measures
- Further analysis of the target-setting process to determine the extent to which 'result' measures are subject to national targets (see Figure 4.26)

## **5.6 Summary**

The research within the study set out to establish the impact of Liverpool City Council's Corporate Performance Management Framework on customer-focused results. The key findings lead to the conclusion that, although the City Council has delivered improvement in terms of customer-focused results since the introduction of the CPMF, these improvements have not been as a direct result of the CPMF and that there are a number of other factors that determine performance.

In addition, the evidence suggests that there are a number of negative consequences resulting from implementation of the CPMF (i.e. 'perverse' consequences) and that the CPMF is more concerned with performance measurement than performance management. In response, Service Managers have implemented a wide variety of other performance management systems in order to supplement the CPMF. However, the CPMF has been successful in improving accountability and scrutiny and has brought some benefits in raising the profile of service areas to Members and the Executive Management Team although the opportunity cost is not known.

Therefore the conclusions drawn from this study support the recent research by Radnor and McGuire (2004) and find that, as far as Liverpool City Council's Corporate Performance Management Framework is concerned, performance management is more fiction than fact.

## **6 Recommendations**

The conclusions from the research identified in Chapter Five suggest that the Corporate Performance Management Framework does not have a direct impact on performance improvement, but does improve accountability and scrutiny and is an effective communication tool for both senior managers and Members. However, it is deemed by Service Managers to be resource-intensive and detracts from service delivery. In addition, it results in negative consequences such as an inappropriate level of focus on 'hard' quantifiable performance measures and the temptation to 'fix' the BVPI data.

In view of the Central Government agenda to pursue a performance measurement approach to assessment through the introduction of additional BVPIs and the Comprehensive Performance Assessment, the requirement of local authorities to demonstrate accountability is unavoidable and therefore there is a role within the City Council for the CPMF. However, there are a number of recommendations to be made which may minimise the 'unintended consequences' of public sector performance management regimes and enhance the value of the CPMF.

The recommendations are:

- The City Council should undertake a cost-benefit analysis to identify the resources required to maintain the Corporate Performance Management Framework and the benefits accrued. The analysis should take into consideration the financial cost to maintain the framework; the staff resources required to provide the monthly progress reports; and the benefit of providing monthly reports for those performance indicators that can only be measured annually (within three months).
- A review of local performance indicators is completed during the development of Service Plans for the next financial year and additional resource provided to assist Service Managers in the establishment of appropriate local measures. These local measures should be appropriate to the activities of the service area i.e. where low-level operational 'dial' measures are considered appropriate, Service Managers should be given the autonomy to select such measures. Non-managerial staff should play a full

role in the selection of such measures to ensure a 'bottom-up' approach that achieves staff 'buy-in' (within six months).

- More flexibility is required within the design of the CPMF to allow for non-quantifiable measures of performance i.e. 'soft' measures, and to allow for recognition of achievements that cannot be recognised in terms of 'hard', quantifiable measures. It is therefore recommended that the CPMF be redesigned prior to the start of the next financial year with less focus on quantifiable performance indicators (within six months).
- A full review of other performance management initiatives across the Council is undertaken to identify best practice that can then be disseminated. In instances where service areas are under a statutory obligation to implement performance management arrangements outside of the CPMF (such as the Education Portfolio, which is judged against the Educational Development Plan), the duplication in monitoring and reporting arrangements should be minimised (within six months).
- The Executive Management Team should review its 'command' approach to performance management and take steps to counter the perceived 'punitive action' that can result from both non-compliance with the CPMF and failure to meet target. This should reduce the temptation to 'fix' BVPI data to some extent although the existence of the CPA Scorecard (i.e. league table of local authorities) will inevitably lead to some degree of 'gaming'.
- Target-setting should fall within the remit of Service Managers and be driven by realistic, achievable goals that demonstrate continuous improvement rather determined by 'top-quartile' targets (with immediate effect).
- The CPMF should take into account the influence of partners' activities on service delivery and identify the key external factors that impact upon performance as part of the redesign of the system (within six months).

- The City Council should continue to lobby Central Government for the introduction of appropriate measures of performance that remain consistent over time to allow for robust time-series comparison of performance.
- Finally, systematic evaluation of the Corporate Performance Management Framework based on the methodology within this study should be undertaken on an annual basis to inform future improvements to the system and to monitor the impact of the ‘unintended consequences’ identified in Chapter Five.

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## **8 Appendices**

Appendix 1: Example of CPMF Monthly Performance Report

Appendix 2: Armstrong & Baron's Criteria for Success

Appendix 3: Liverpool City Council CPA Scorecard

Appendix 4: Liverpool City Council Vision and Values Statement

Appendix 5: Taxonomy of Best Value Performance Indicators

Appendix 6: Example of Calculation of Adjusted Minimum Sample Size

Appendix 7: Request to Interview

Appendix 8: Interview Questions for Qualitative Data Collection

EMT Report (100 records selected)

This report contains a selection statutory BVPIs, LPSAs and other local indicators published in the BVPP. The report shows performance up to the end of July 2004/05 for all PI's set to report monthly. Irrespective of the reporting frequency service managers for all PIs have been encouraged to use the comments field as they thought appropriate to comment on performance.

The report is grouped by Portfolio and Service. The relevant AED responsible for the PI performance is shown, but where there is no relevant AED the Executive Director is named.

Explanation of Data columns and colour coding on database reports

This report is black and white printer friendly and does not require a colour printer. Red, amber and green colours are used to grade PI performance figures displayed in this report. The key to the shading used to represent the colours is given at the bottom of each page of the report.

A brief explanation of each of the data columns (numbered 1-11 on each page) used and their corresponding colour coding is given below.

Col	Description	Red	Amber	Green
(1)	Ranking of indicator based on (month) Forecast 2004/5 yearly outturn measured against 2004/5 Met target	(Month) forecast yearly outturn at Bottom Quartile of Met target 04/05	(Month) forecast yearly outturn which is either = to or above Met Average (but not top quartile) or below Met target 04/05	(Month) forecast yearly outturn at top quartile of Met target 04/05
(2)	PI description	no colour coding	no colour coding	no colour coding
(3)	2003/4 Liverpool City Council (LCC) outturn	no colour coding	no colour coding	no colour coding
(4)	% improvement in LCC outturn from 2002/3 to 2003/4 (calc: 03/04 outturn - 02/03 outturn / 02/03 outturn * 100)	negative change	no change	positive change
(5)	2004/5 Metropolitan Top Quartile target	no colour coding	no colour coding	no colour coding
(6)	2004/5 LCC target	< Met Average target 04/05	= or > Met Average and < Met Top Quartile target 04/05	= or > Met Top Quartile target 04/05
(7)	% Gap between 2004/5 Met Top Quartile target and LCC 2004/5 target (calc: 04/05 met TQ target - 04/05 LCC target / 04/05 LCC target *100)	LCC 2004/5 target below Met Top Quartile target	not used	LCC 2004/5 target = or > Met Top Quartile target
(8)	July 2004/05 target	no colour coding	no colour coding	no colour coding
(9)	July 2004/05 actual	< July 2004/05 target	= July 2004/05 target	> July 2004/05 target
(10)	(Jul) 2004/05 Forecast Yearly outturn	< LCC 2004/5 target	= LCC 2004/5 target	> LCC 2004/5 target
(11)	July 2004/05 % improvement between 2003/4 LCC actual and 2004/05 Forecast yearly outturn (calc: 03/04 actual - 04/05 forecast yearly outturn / 03/04 actual *100)	negative change	no change	positive change



## Education, Library and Sports Services

(1) Ranking Projection	(2) Description	(3) 2003/4 LCC Actual Outturn	(4) % Improvement LCC Outturn	(5) 2004/5 Met Top Quartile Target	(6) 2004/5 LCC Target	(7) % difference between Top Quartile Target	(8) Jul 04/05 Target	(9) Jul 04/05 Actual	(10) 'July 04/05 Forecast' Yearly outturn	(11) 'Improvement on 03/04 Actual' %	Comments	Yearly
BV194(b)	% of pupils achieving level 5 or above in Key stage 2 Maths										Higher figures are better	Yearly
	BOTTOM QUARTILE	25.3%	+7.2%	37	30%	-23.3%			26.9%	+6.3%	The projected out-turn is based on provisional result data supplied via the DFES. There is some 'rogue level data' (duplicates etc) contained within the projection and the figure is likely to change once a further update is made available.	Yearly
BV38	Percentage of 15 year old pupils in schools maintained by the local education authority achieving 5 or more GCSE's at Grades A*- C or equivalent										Higher figures are better	Yearly
	BOTTOM QUARTILE	42.1%	+6.3%	55	45.5%	-20.9%			45.5%	+8.1%	Pupils have now completed examinations for the 2003/04 academic year. Provisional result data will be available in September.	Yearly
BV39	Percentage of 15 year old pupils in schools maintained by the local education authority achieving 5 GCSEs or equivalent at grades A*- to G including English and Mathematics										Higher figures are better	Yearly
	BOTTOM QUARTILE	86.7%	+1.6%	93	89%	-4.5%			90%	+3.8%	Pupils have now completed examinations for the 2003/04 academic year. Provisional result data will be available in September.	Yearly
BV40	Percentage of pupils in schools maintained by the local education authority achieving Level 4 or above in the key stage 2 Mathematics test										Higher figures are better	Yearly / Critical
	BOTTOM QUARTILE	67.5%	-2.3%	86	82%	-4.9%			69%	+2.2%	The projected out-turn is based on provisional result data supplied via the DFES. There is some 'rogue level data' (duplicates etc) contained within the projection and the figure is likely to change once a further update is made available.	Yearly / Critical
BV41	Percentage of pupils in schools maintained by the LA achieving Level 4 or above in Key Stage 2 English test										Higher figures are better	Yearly / Critical
	BOTTOM QUARTILE	70.6%	+1.6%	86.5	84%	-3.0%			73.2%	+3.7%	The projected out-turn is based on provisional result data supplied via the DFES. There is some 'rogue level data' (duplicates etc) contained within the projection and the figure is likely to change once a further update is made available.	Yearly / Critical
BV48	Percentage of schools maintained by the local education authority subject to special measures										Lower figures are better	Monthly
	BOTTOM QUARTILE	0%	no change	0	0%	0%			0.96%	0.96%	Two schools are currently subject to Special Measures. Cross Farm Primary has had a successful first HMI monitoring visit. The LEA has supported improvements in leadership and the quality of teaching and learning. Pupil numbers remain low. The Beacon Primary has submitted a good action plan to Ofsted and awaits a first monitoring visit in the Autumn Term. Again the LEA has supported improvements in leadership and the quality of teaching and learning.	Monthly



## **APPENDIX 2**

### **Armstrong & Baron's Criteria for Success (2002):**

1. Performance management processes fit the culture of the organisation, the context in which it operates and the characteristics of its people and work practices.
2. There is commitment and support from top management.
3. There is shared ownership with line managers and employees generally.
4. Processes are aligned to the real work of the organisation and how, in general, performance is managed.
5. It can be demonstrated that performance management adds value in terms of both short-term results and longer-term development.
6. Performance management processes are integrated with strategic and business planning processes.
7. Performance management processes are integrated with other HR processes.
8. Performance management processes can operate flexibly to meet local or special circumstances.
9. Performance management processes are readily accepted by all concerned as natural components of good management and work practices.
10. All stakeholders within the organisation are involved in the design, development and introduction of performance management. These comprise top management, line managers, team leaders, team, individual employees and trade-union or employee representatives.
11. Performance management processes are transparent and operate fairly and equitably.
12. Managers and team leaders take action to ensure that there is a shared understanding generally of the vision, strategy, goals and values of the organisation.
13. Performance management processes recognise that there is a community of interests in the organisation and respect individual needs.
14. Performance management processes are used by managers and team leaders to help people feel that they are valued by the organisation.
15. Performance management processes help to align organisation and individual goals (but this is not a matter of top-down 'cascade' of objectives). Individuals and teams are given the opportunity to put forward their views on what they can achieve and their views are listened to.

## **APPENDIX 2 continued**

16. The focus of performance management is on the development of people and the provision of support they need. Financial rewards are a secondary consideration if indeed, they are associated with performance management.
17. There are competence frameworks in place developed specially for the organisation with the full involvement of all concerned.
18. The aims and operations of performance management and how it can benefit all concerned are communicated thoroughly and effectively.
19. Training in performance management skills is given to managers, team leaders and employees generally.
20. The effectiveness of performance management is continually monitored and evaluated.
21. The opinions of all stakeholders are sought about how well the scheme is working and action is taken as required to improve the various processes.

## How is Liverpool City Council performing?

### Overall Performance

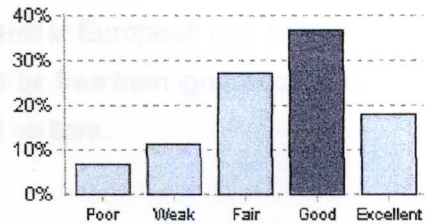
**good**

**Liverpool City Council** has been measured as **good** in the way that it serves its local people. The chart opposite shows what share of councils also received this rating.

We reached this overall rating by looking at:

1. How **Liverpool City Council** is run; and
2. How **Liverpool City Council's** main services perform.

Performance against other councils



### 1. How is Liverpool City Council run and what progress has the council made in the last year?

Liverpool City Council has changed from being fair to good.

Liverpool City Council has made significant improvements in services, most notably in education but also in environment and benefits, over the last year.

Progress has been made towards the council's vision of making Liverpool a premier European City. Liverpool has been designated as the European Capital of Culture for 2008 and important schemes such as the Paradise Street redevelopment remain on track. The council is continuing to invest in new technology to improve the way it deals with customers.

There are ambitious plans to continue to improve services. Areas that remain a focus for improvement include social care, particularly adult services, and housing.

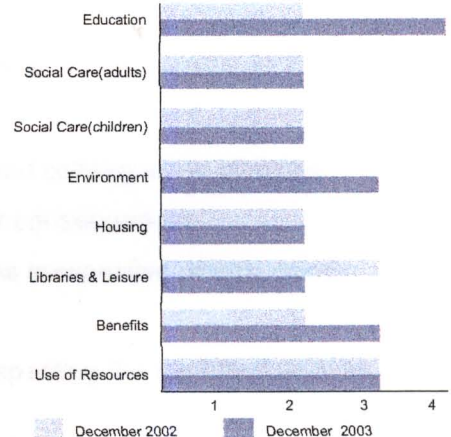
Based on Liverpool's plans, the council is well placed to further improve the way it works and the services it provides to local people.

In December 2002 **Liverpool City Council** received a measurement of 3 out of 4 for the way it is run.

### 2. How do Liverpool City Council's main services perform?

We have assessed core service performance in the service areas shown alongside. Each service is scored on a scale from 1 to 4, with 1 being the lowest and 4 being the highest. Education and social care are given more importance in reaching the overall service score than other areas.

Overall service performance **3** out of 4







The City of Liverpool

## APPENDIX 4

### Liverpool City Council vision, aims and values

#### Vision

We will create a modern, cosmopolitan and confident premier European city, at the heart of a prosperous and confident region. Liverpool's citizens will be free from ignorance, prejudice and poverty and the city will be a magnet for businesses and visitors.

#### Aims

To achieve our vision we will work in partnership to deliver:

- top quality value for money services, while keeping the council tax as low as possible
- a business friendly city with accessible, responsive and integrated business services which encourage inward investment, growth and jobs with a healthy not-for-profit business sector
- well serviced, safe and sustainable neighbourhoods with optimum local accountability and influence over service management
- top quality education services which raise attainment and develop the self-esteem, skills, knowledge and qualifications that our citizens need
- a healthy environment for all who live in, work or visit the city, with low levels of land, water and air pollution and an effective and accessible transport system
- the city at the forefront of delivering services electronically

#### Values

As employees of Liverpool City Council we are committed to:

- placing customers at the heart of everything we do
- communicating honestly and openly with customers and colleagues at all times
- being personally accountable for our actions and their consequences
- recognising and promoting people's individual qualities irrespective of age, gender, race, sexual orientation and disability
- taking personal responsibility and recognising and respecting the contribution of all colleagues
- having pride in all our achievements

December 2003

## **APPENDIX 5**

### **Taxonomy of Performance Indicators**

The classification of performance indicators (PI's) used within the empirical analysis is based on Hyndman and Anderson's (Hyndman, N & Anderson, R, 1997) taxonomy capturing inputs, outputs and results (or outcomes). The absence of generally accepted definitions proved a potential problem with the analysis and introduced an element of subjectivity. In order to minimise subjectivity, a model was established which defined each classification with examples (see below) according to Hyndman & Anderson's definitions, and two officers within Liverpool City Council (each with a sound understanding of performance measurement principles) were asked to independently classify the PI sample according to the model, to be compared with the author's classification. Where differing classifications were accorded to the same PI, discussion took place between the author and officers until agreement could be reached on a 'best fit' classification – a minimum of two concurring classifications were required in order for the PI to be incorporated into the analysis.

#### **1. INPUTS**

Inputs are the resources used in providing a service (eg staff, money, equipment).

**Examples of Inputs** (taken from Hyndman, N and Anderson, R, 1997)

- Research & Development Costs
- Staff in Post
- % of staff with degrees

#### **2. OUTPUTS**

Outputs are the immediate products or services generated by the organisation (eg number of passports issued, no. of vehicles inspected).

**Examples of Outputs**

- £ paid out in grants
- No. of vehicles tested
- No. of orders processed
- % of applications processed within X days

#### **3. RESULTS**

Results (or Outcomes) represent the impact of the product or service on society (eg a healthier population, safer roads).

**Examples of Results (Outcomes)**

- % pupils continuing into higher education
- Customer satisfaction levels
- % of applications accurately processed
- % of participants in training initiatives who find full time employment

## APPENDIX 6

### **Calculation of Adjusted Minimum Sample Size for Key Findings based on Confidence Level of 90% and Margin of Error within + or – 5%:**

➤ Adjusted minimum sample size required to infer findings for:

**‘% of BVPIs that are Improved or Static/Failing’**

from the sample to the population (actual sample size 77, total population 194)

$$n = 38 \times 62 \left[ \frac{1.65}{5} \right]^2$$

$$= 2356 \times 0.109$$

$$n = 256.8 \text{ (n = minimum sample)}$$

$$n^1 = \frac{256.8}{1 + \left[ \frac{256.8}{194} \right]}$$

$$= \frac{256.8}{2.323}$$

$$n^1 = 110$$

**Conclusion: The adjusted minimum sample required is 110. As the sample size is 77, the findings related to the % of BVPIs that are Improved or Static/Failing cannot be inferred upon the entire BVPI population as the Confidence Level is too low and Margin of Error too high.**

## APPENDIX 6 continued

- Adjusted minimum sample size required to infer findings for:  
**‘% of BVPIs where CPMF has had an impact on performance’**  
from the sample to the population (actual sample size 41, total population 194)

$$n = 89 \times 11 \left[ \frac{1.65}{5} \right]^2$$

$$= 979 \times 0.109$$

$$n = 106.71 \text{ (n = minimum sample)}$$

$$n^1 = \frac{106.71}{1 + \left[ \frac{106.71}{194} \right]}$$

$$= \frac{106.71}{1.55}$$

$$n^1 = 68.8 \text{ (69)}$$

**Conclusion: The adjusted minimum sample required is 69. As the sample size is 41, the findings related to ‘% of BVPIs where CPMF has had an impact on performance’ cannot be inferred upon the entire BVPI population as the Confidence Level is too low and Margin of Error too high.**

## **APPENDIX 7**

### **Template for Request to Interview**

DATE

Dear

I am currently undertaking my MBA research project on performance management within LCC and, as the officer responsible for BVPIs XXXX, XXXX, I would very much appreciate a short interview with you.

I am seeking to establish the factors (both internal and external) that influence the performance of BVPIs, and to assess the impact of our Corporate Performance Management Framework on improvement in service delivery.

The interview would last for no more than 45 minutes and would be entirely confidential – your responses would remain anonymous both within the analysis and final report.

If you are able to spare the time, please let me know when it would be convenient for you (I am hoping to complete interviews within the next 2/3 weeks) – your help would be greatly appreciated.

Regards

Jan Heath

## **APPENDIX 8**

### **Interview Questions for Qualitative Data Collection**

1. Would you say that these BVPI's are an appropriate measure of performance in the relevant service areas (ie do they contribute to overall objectives and vision)?
2. Are these BVPI's delivered solely within your service area or do you deliver jointly with others (either LCC or external agencies)?
3. How do you set annual targets for these BVPI's (ie the process/ key drivers)?
4. What would you identify as the factors that have most impacted upon the performance of these BVPI's during the last 3 years (both internal and external factors)?
5. Would you say that these BVPI's are 'resource sensitive'?
6. Do you believe that the Corporate Performance Management Framework contributes to improved performance in i) the achievement of overall objectives of your service area ii) improved performance specifically against these BVPI's?
7. What do you consider to be the other benefits of the Corporate Performance Management Framework (eg improved accountability and openness, better information for Members, greater clarity for staff etc)
8. What other Performance Management arrangements do you have in place? (eg improvement groups etc)